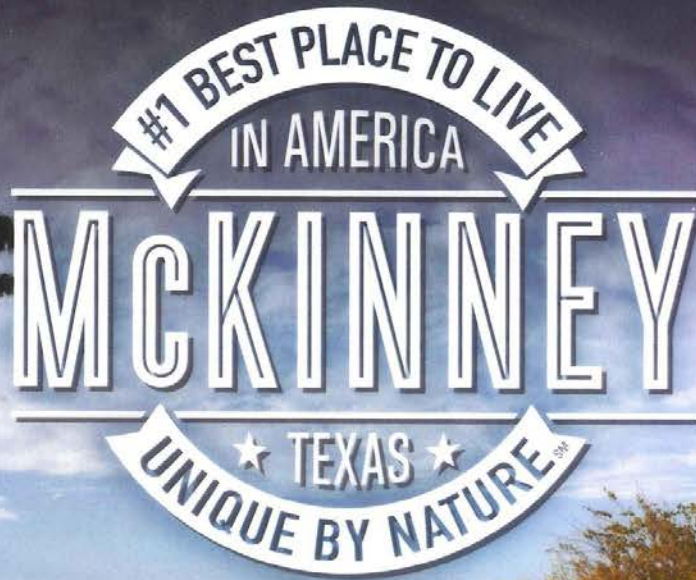
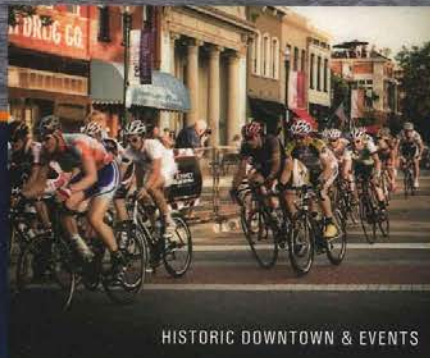


City of McKinney, Texas
**Comprehensive Annual
Financial Report**

Fiscal Year Ended September 30, 2014



BEAUTIFUL PARKS



HISTORIC DOWNTOWN & EVENTS



UNIQUE DEVELOPMENTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

**AS PREPARED BY
FINANCIAL SERVICES**



**City of McKinney
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION





**CITY OF MCKINNEY
Finance Department**

222 N. Tennessee Street
McKinney, Texas 75069
(972) 547-7530
(972) 547-2611 Fax
www.mckinneytexas.org

February 3, 2015

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2014, is hereby submitted in accordance with Section 46 of the City Charter.

This report is published to provide the City council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of McKinney financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 63.8 square miles and serves a population of over 149,000. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis.

Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable, but they are not part of the primary government's operations. The McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), Collin County Airport Development Corporation (CCADC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS) are included in the financial statements as discretely presented component units.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The US Census currently estimates McKinney's population at 149,000. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 14% and 176%, respectively.

In September 2014, Money Magazine ranked McKinney as the #1 Best Place to Live in America. McKinney has been featured in the top 5 of each report since 2010, and we also boast as the only city in Texas to make the top 10 list of 2014. Money editors look at data about employment, schools, crime and safety, and also evaluate each city's overall quality of life to determine the rankings.

Also in 2014, the City of McKinney purchased the hangars, buildings, and the full-service fixed base operations at McKinney National Airport. In just the first year of operation, McKinney Air Center was voted the #1 Fixed Base Operator (FBO) of the nation in the 2014 Pilots' Choice Awards by FltPlan.com. Voters also named the Pete and Nancy Huff Air Traffic Control the #1 tower in the Pilots' Choice Awards. McKinney National Airport and McKinney Air Center are vital assets to assist in the attraction of new corporate presence in McKinney.

The City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes: Raytheon, Encore Wire, Emerson Process Management, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., Watson & Chalin, and Traxxas.

The most recent 2014 additions to McKinney's corporate presence include: Barclays Bank's innovation technology center, UPS' package distribution facility, and Hisun Motors' North American Headquarters.

McKinney's small business community is equally as important to the vitality of McKinney's economy. McKinney enjoys one of the oldest authentic historic downtowns in Texas. Our 166-year old city center continues to serve as a thriving retail, dining, entertainment and business destination. The town square offers over 120 unique businesses within the commercial historic district, including a charming hotel and quaint bed and breakfast destinations nestled between eateries, specialty shops, apparel boutiques, art galleries and entertainment options.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

The City of McKinney establishes a five-year financial plan and a five-year capital improvement plan during the annual budget process. The City of McKinney annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy.

The five-year capital improvement plan outlines various facilities including completion of the Aquatic Center, public safety improvements, and Airport hangars. The plan also outlines various roadway and water/sewer improvements including Downtown Infrastructure projects including SH5, Virginia Parkway, FM543, and the Bloomdale Ground Storage Tank.

The City is also working towards the formal adoption of a ten-year financial plan to capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services of goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year.

A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

MAJOR INITIATIVES

For Fiscal Year 2013-14, major project initiatives for the City of McKinney included Airport Acquisition, Gateway Hotel and Events Center, FM 543 Connector Phase I, Downtown Infrastructure Phase II, PSA/Gabe Nesbit Park Infrastructure Improvements, Hardin Elevated Storage Tank, Stacy Road, and US 75 construction by TxDOT.

The major project initiatives planned for fiscal year 2014-15 are completion of the Aquatic Facility, Airport hangars, design and Right-of-Way acquisitions for Custer Road north of 380, and Virginia Parkway, developer participation for Trinity Falls as well as Downtown Center improvements including SH5.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2013. This was the thirtieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current CAFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2013. This is the thirtieth consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

In addition, McKinney earned the 2014 Texas Comptroller Leadership Circle Platinum Member Award with the highest score possible. This award recognizes local governments across Texas that are striving to meet a high standard for financial transparency online. The City previously earned the Leadership Circle Gold Member award in 2010 and 2012, which was the highest award at that time.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report.

In addition, I would personally like to extend thanks to all of the Financial Services staff for their efforts over the last year. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Rodney D. Rhoades". The signature is fluid and cursive, with a large initial "R" and "D".

Rodney D. Rhoades
Chief Financial Officer





Government Finance Officers Association

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Achievement for
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Presented to

**City of McKinney
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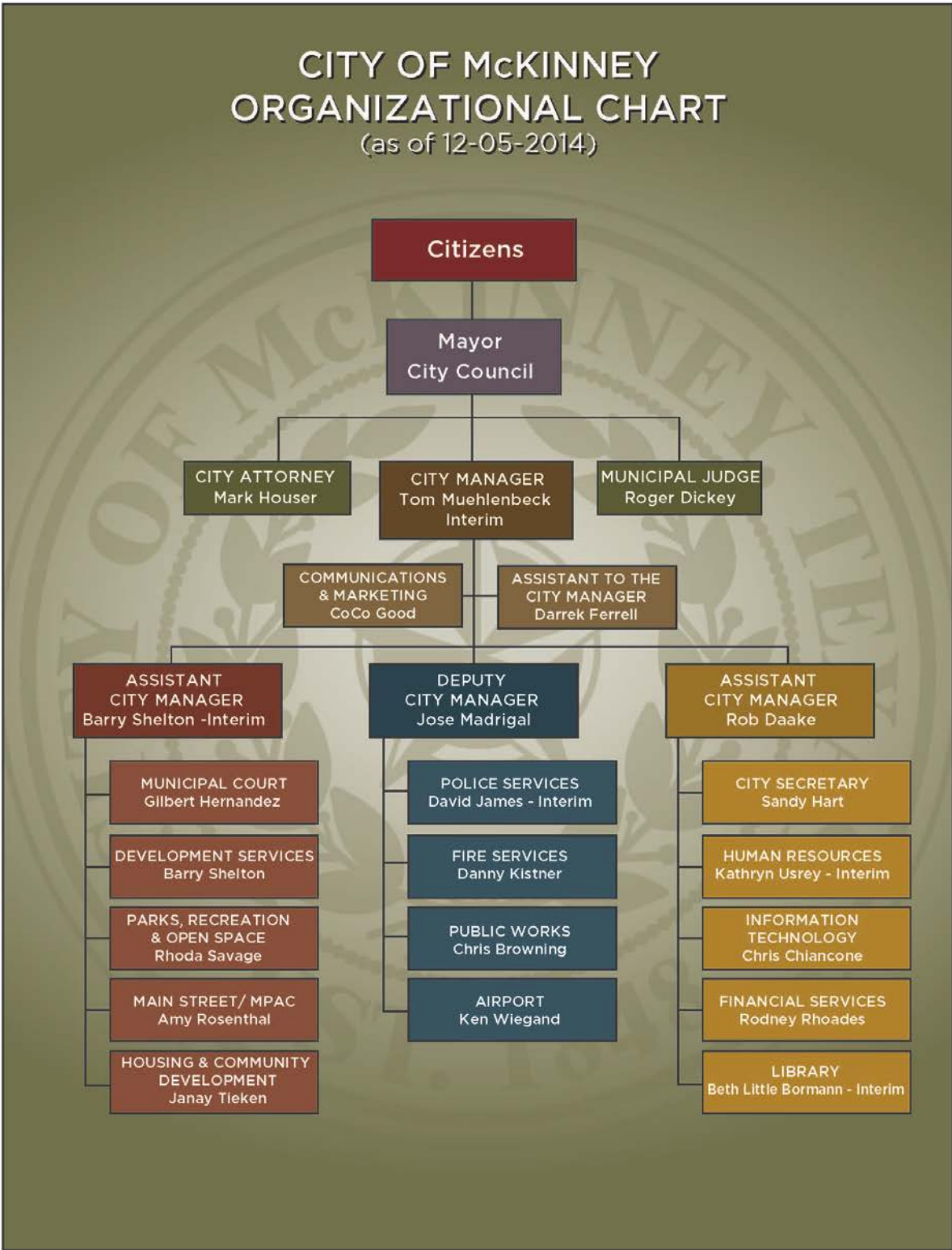
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



CITY OF MCKINNEY ORGANIZATION FY 2013-2014



CITY OF MCKINNEY, TEXAS CITY OFFICIALS

CITY COUNCIL

Brian Loughmiller, Mayor
Travis Ussery, Mayor Pro-Tem
Don Day
Roger Harris
Geraldyn Keever
Randy Pogue
Ray Ricchi

INTERIM CITY MANAGER

Tom Muehlenbeck

DEPUTY CITY MANAGER

Jose Madrigal

ASSISTANT CITY MANAGERS

Rob Daake
Barry Shelton

CHIEF FINANCIAL OFFICER

Rodney Rhoades

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 basic financial statements are free of 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 misstatements 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 to 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014 and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, in 2014, the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 4 through 14) and the schedules of funding progress for the Texas Municipal Retirement System and Other Postemployment Benefits (on pages 77 and 78) be presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with the 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

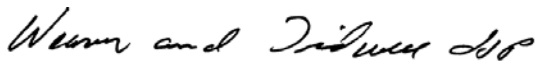
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of McKinney's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 29, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2014. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities at September 30, 2014, by \$826 million (Net Position). Of this amount, \$583 million (71%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$98 million (12%). The remaining \$145 million (17%) are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net position increased by \$99 million. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$28 million.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$128 million, an decrease of \$7 million in comparison to the prior year. Approximately \$39 million, or 31%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, \$0.8 million is non-spendable for inventory and prepaid items. \$2.9 million is restricted for debt service, \$80.6 million is for street construction and other capital projects, and fund balance of \$2.4 million in the special revenue funds contains grant and other spending restrictions. \$2 million has been assigned for Other Post-Employment Benefits (OPEB) and the remaining \$39 million is unassigned fund balance in the general fund and can be used for any lawful purpose. The unassigned general fund balance is equal to 37% of total general fund expenditures. This represents 12% more than the fund balance policy requirement.
- On a government-wide basis, the City's total liabilities increased by \$35 million or 12% during the current fiscal year. Major contributable factors include debt issuances and refundings netting a \$23 million increase to bonds payable and a legal claim of \$9 million, which is on appeal.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources and liabilities, with the difference between the total of assets and deferred outflows of resources and liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent 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.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks, and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.
- **Component Units** – The City includes five separate legal entities in its report – the McKinney Economic Development Corporation, McKinney Community Development Corporation, the McKinney Convention and Visitors Bureau, McKinney Main Street, and Collin County Airport Development Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, 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 City of McKinney can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, facilities improvement fund, and street construction fund, all of which are considered to be major funds. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, facilities improvement fund, street construction funds, non-major special revenue funds, and non-major capital projects funds. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-24

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course, and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as non-major funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

The basic proprietary fund financial statements can be found on pages 25-28.

- **Internal Service Fund.** The City of McKinney uses the internal service fund as an accounting device to accumulate and allocate costs internally among the City's various functions.

The City maintains one internal service fund to account for the claims of the City's self-funded insurance program and risk management program.

- **Fiduciary Responsibilities.** The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The basic fiduciary fund financial statements can be found on page 29.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-76.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 77-78.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 79-126 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities by \$826 million as of September 30, 2014.

By far the largest portion of the City's net position, \$583 million or 71% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position (\$98 million, or 12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$145 million, or 17%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Assets						
Current and other assets	\$ 164,631	\$ 150,855	\$ 102,312	\$ 97,436	\$ 266,943	\$ 248,291
Capital assets	488,905	474,734	395,867	303,136	884,772	777,870
Total Assets	<u>653,536</u>	<u>625,589</u>	<u>498,179</u>	<u>400,572</u>	<u>1,151,715</u>	<u>1,026,161</u>
Deferred Outflows of Resources	<u>907</u>	<u>-</u>	<u>6,828</u>	<u>-</u>	<u>7,735</u>	<u>-</u>
Liabilities						
Long-term liabilities outstanding	220,328	199,765	61,506	65,971	281,834	265,736
Other liabilities	41,288	22,470	10,630	10,357	51,918	32,827
Total Liabilities	<u>261,616</u>	<u>222,235</u>	<u>72,136</u>	<u>76,328</u>	<u>333,752</u>	<u>298,563</u>
Net Position						
Net investment in capital assets	252,289	279,953	330,538	233,113	582,827	513,066
Restricted	85,126	82,547	13,166	14,334	98,292	96,881
Unrestricted	55,412	40,854	89,167	76,797	144,579	117,651
Total Net Position	<u>\$ 392,827</u>	<u>\$ 403,354</u>	<u>\$ 432,871</u>	<u>\$ 324,244</u>	<u>\$ 825,698</u>	<u>\$ 727,598</u>

The City of McKinney's net position increased by \$98 million during the current fiscal year, a decrease in governmental net position of \$11 million and an increase in business-type activities of \$109 million. Details are listed in the table below and discussed on pages 9-10.

Changes in Net Position (in Thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Revenues:						
Program revenues:						
Charges for services	\$ 15,286	\$ 15,474	\$ 68,947	\$ 65,722	\$ 84,233	\$ 81,196
Operating grants and contributions	2,446	2,459	95	-	2,541	2,459
Capital grants and contributions	28,828	27,496	96,784	14,745	125,612	42,241
General revenues:						
Property taxes	70,587	65,708	-	-	70,587	65,708
Sales taxes	21,299	20,364	-	-	21,299	20,364
Franchise taxes	13,630	12,759	-	-	13,630	12,759
Investment income	298	334	565	662	863	996
Other revenues	4,283	2,594	-	60	4,283	2,654
Total revenues	156,657	147,188	166,391	81,189	323,048	228,377
Expenses:						
General government	33,368	20,555	-	-	33,368	20,555
Police	26,025	23,340	-	-	26,025	23,340
Fire	22,807	21,433	-	-	22,807	21,433
Libraries	3,320	3,276	-	-	3,320	3,276
Development	10,057	9,107	-	-	10,057	9,107
Parks and recreation	10,415	10,370	-	-	10,415	10,370
Public works	37,605	35,112	-	-	37,605	35,112
Interest on long-term debt	8,482	9,789	-	-	8,482	9,789
Airport	-	614	8,601	-	8,601	614
Water/Wastewater	-	-	55,008	52,555	55,008	52,555
Solid Waste	-	-	6,280	6,486	6,280	6,486
Golf Course	-	-	194	352	194	352
Surface Water Drainage	-	-	1,934	1,661	1,934	1,661
Loss on sale of assets	-	-	852	-	852	-
Total expenses	152,079	133,596	72,869	61,054	224,948	194,650
Increase (decrease) in net position before transfers	4,578	13,592	93,522	20,135	98,100	33,727
Transfers	(15,105)	2,854	15,105	(2,854)	-	-
Increase (decrease) in net position	(10,527)	16,446	108,627	17,281	98,100	33,727
Net Position - Beginning, as restated	403,354	386,908	324,244	306,963	727,598	693,871
Net Position - Ending	\$ 392,827	\$ 403,354	\$ 432,871	\$ 324,244	\$ 825,698	\$ 727,598

Governmental activities

Governmental activities decreased the City's net position by \$11 million during the current fiscal year. The key elements of this decrease are as follows:

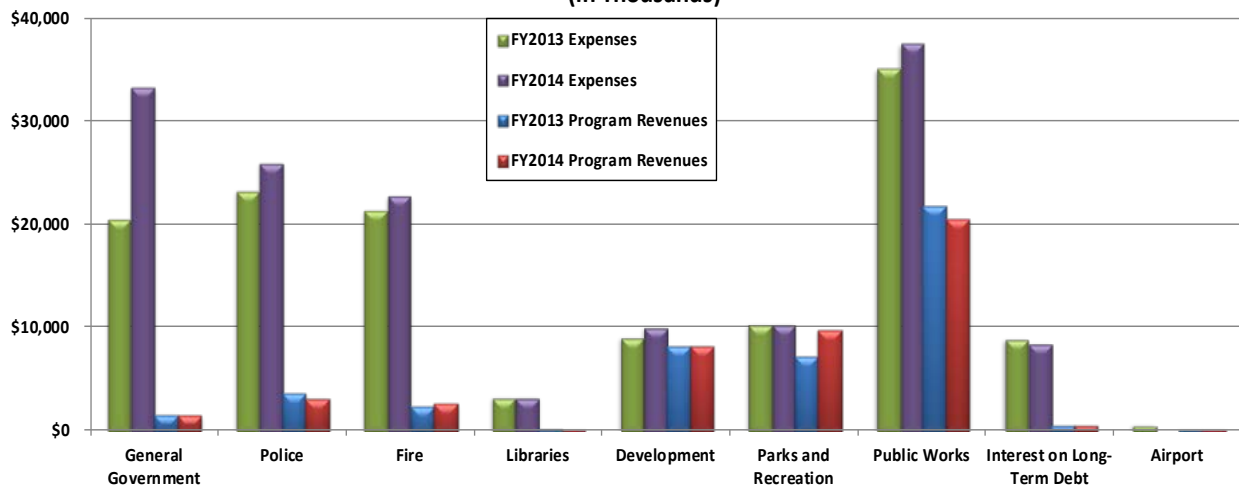
Revenues

- Property taxes increased by \$4.9 million as a result of a 7.4% increase in certified taxable value.
- Sales taxes increased by \$1 million, or 4.6%.
- Contributions are reported with a \$2 million increase, primarily for the City's Gateway Hotel project.

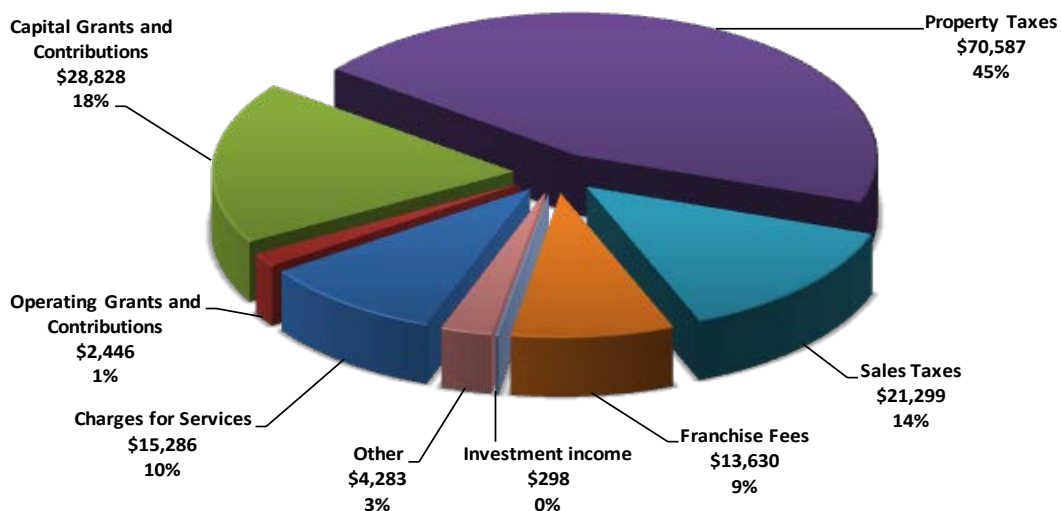
Expenses

- The City's capital expenses towards the Gateway Hotel & Event Center totaled \$18 million.
- An unexpected legal judgment of \$9 million was ordered late in the year, which is on appeal.
- The budgeted addition of 39 positions and 3% salary increases are reflected in expenses.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



Revenues by Source - Governmental Activities
(in Thousands)



Business-type activities

Business-type activities increased the City of McKinney's net position by \$109 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

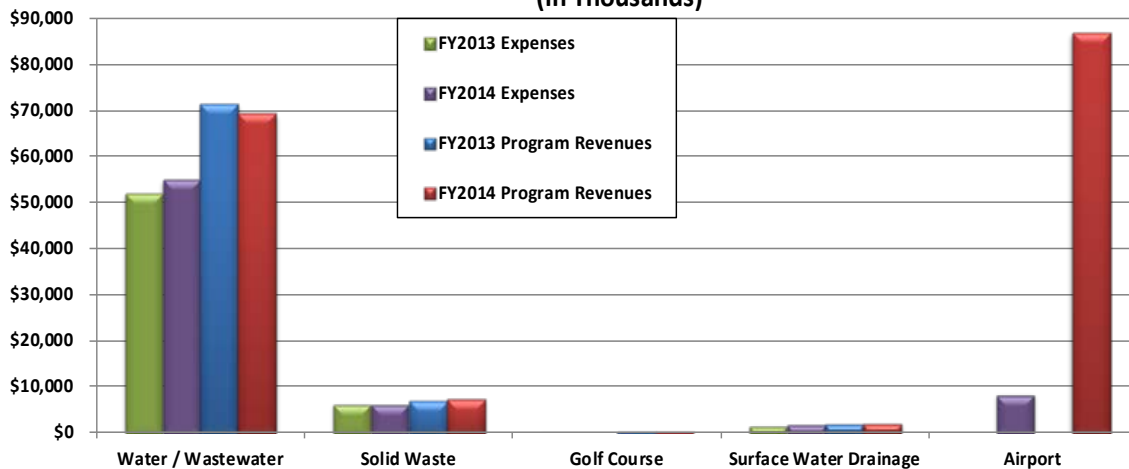
Revenues

- Contributions of \$78.7 million were received from the Collin County Airport Development Corporation (CCADC) after the management agreement with the City was rescinded. See note (13) on page 71.
- The Airport Fund also received transfers of \$19.3 million from City Governmental Funds primarily financing the purchase of buildings and fixed base operations at McKinney National Airport. See note (3E) on page 50.

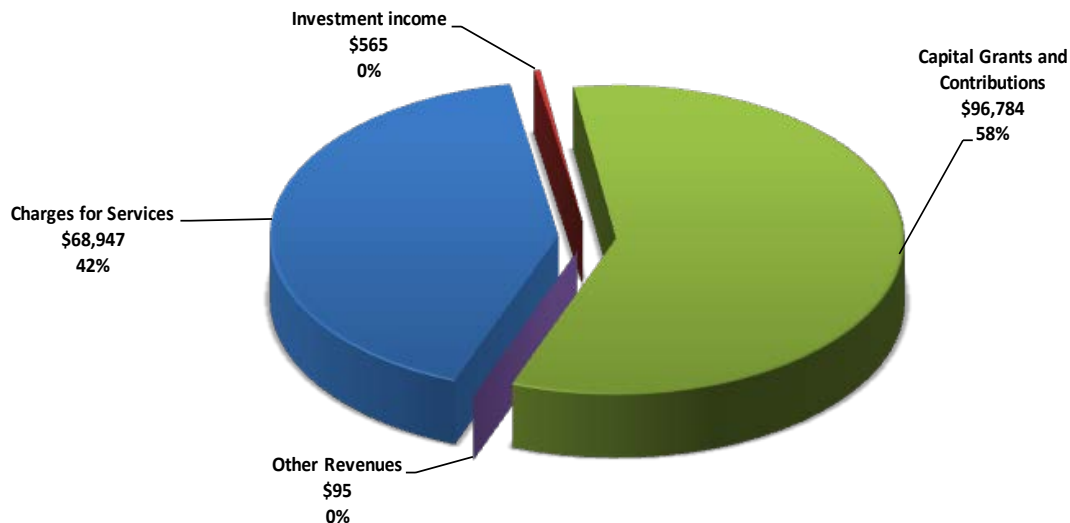
Expenses

- Airport was included as a new business-type activity to account for the fixed base operations acquired in November 2014. Actual operating expenses were \$8.5 million.
- Expenses in water/wastewater increased \$3 million mainly due to the increase in water purchase and sewer service charges from North Texas Municipal Water District.

Expenses and Program Revenues - Business-type Activities
(in Thousands)



Revenues by Source - Business-Type Activities
(in Thousands)



Financial Analysis of the City's Funds

Governmental funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$128 million, a decrease of \$6.5 million or 5% in comparison to the prior year. Approximately \$39 million or 31% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, committed, or assigned in conformance with GASB 54 requirements. Please see pages 18-19 for financial details and page 41 for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was \$39 million, while total fund balance was \$41.8 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 37% of total general fund expenditures.

The general fund balance decreased by \$9 million or 18% during the current fiscal year. The decrease was primarily the result of an unexpected legal judgment of \$9 million late in the year, which is on appeal.

Debt Service Fund. The debt service fund had a total fund balance of \$2.9 million and was restricted for the payment of debt. There was a net increase of \$0.7 million in fund balance during the current year. The increase in the debt service fund balance was within the budget plan.

Street Construction Fund. The Street Construction Fund is the largest governmental capital project fund. It has an ending fund balance of \$30.6 million. Total expenditures for the current year were \$9.2 million. The large fund balance indicated many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include: Downtown Infrastructure Projects, FM543 Connector and Stacy Road.

Facilities Improvement Fund. The Facilities Improvement Fund is a major governmental capital project fund. It had an ending fund balance of \$13.4 million. Total expenditures for the current year were \$18.3 million. Major expenditures incurred during the current year were primarily related to the Gateway Hotel and Events Center.

Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2014, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by \$10.5 million. Operating revenues totaled \$54.9 million, a decrease of \$1.9 million, or 3.4%. The elevated water restrictions imposed by North Texas Municipal Water District (NTMWD) resulted in lower customer consumption billed by the City. Operating expenses in the Water and Wastewater Fund were \$52.2 million, an increase of \$3.5 million or 7.2% over the prior year. Primary factors were increased NTMWD water purchase rates and budgeted increases for the water meter replacement program.

Airport Fund. The City's Airport Fund was created during the fiscal year and ended the year with a net position of \$97.3 million. Operating revenues totaled \$8.2 million and operating expenses totaled \$8.4 million. Contributions totaled \$78.7 million; contributions were received from the Collin County Airport Development Corporation (CCADC) after the management agreement with the City was rescinded. Additional information on the CCADC can be found in Note (13) at page 71 and information about the acquisition of Airport operations is disclosed in Note (3)E at page 50.

Solid Waste Fund. The City's Solid Waste Fund net position increased by \$0.9 million. Operating revenues totaled \$7.4 million, an increase of \$0.5 million. Expenses were \$6.3 million, a decrease of \$0.2 million.

Golf Course Fund. The Golf Course Fund had an operating loss of about \$0.09 million. Revenues were approximately \$0.1 million which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling \$0.2 million. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund operated with charges for services revenues exceeding expenses by \$0.06 million. Charges for services increased slightly from \$1.9 million to \$2 million.

General Fund Budgetary Highlights

The actual FY2013-14 expenditures were \$106.6 million, \$3.8 million more than the projected \$102.8 million. The overage was a result of an unexpected legal judgment of \$9 million late in the year, which is on appeal. Normal anticipated expenditures would have resulted in budgetary savings of \$5.2 million.

Actual revenues were \$99.3 million, of the \$99.4 million budget plan. Improved revenue forecasting methods resulted in a mere 0.2% variance between our budget estimates and actual revenues.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had \$885 million invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of \$107 million over the prior fiscal year.

**Table 4
Capital Assets at Year-end
(Net Accumulated Depreciation, in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
Land	\$ 27,942	\$ 24,665	\$ 29,652	\$ 10,191	\$ 57,594	\$ 34,856
Buildings	75,271	79,086	30,139	8,972	105,410	88,058
Infrastructure	317,710	324,660	321,419	264,983	639,129	589,643
Machinery and equipment	18,535	18,849	4,429	3,344	22,964	22,193
Service animals	41	-	-	-	41	-
Construction in progress	49,405	27,474	10,229	15,646	59,634	43,120
Total	\$ 488,904	\$ 474,734	\$ 395,868	\$ 303,136	\$ 884,772	\$ 777,870

Major capital improvement projects completed or in progress during the current fiscal year were:

<u>Project</u>	<u>(\$ in Thousands)</u>
Airport Acquisition	25,625
Gateway-Hotel	13,044
Gateway-Events Center	4,845
FM 543 Connector Phase I	2,236
Downtown Infrastructure Ph. II	2,161
Park Land Acquisition	1,719
PSA - Gabe Nesbitt Park Infrastructure Improv.	1,467
Hardin Elevated Storage Tank	1,042
Stacy Rd Ln 5&6 (Ridge-121)	1,006

Additional information about the City's capital assets is presented in Note (3)D to the financial statements at page 48-50. A specific note regarding the Airport Acquisition project is presented in Note (3)E at page 50.

Long-term Debt. At year end, the City had \$291 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was \$267.6 million at the end of the prior fiscal year. This represents a decrease of 8.8%. All outstanding debt is summarized below:

**Table 5
Outstanding Debt, at Year-end
(in Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	FY 2014	FY 2013	FY 2014	FY 2013	FY 2014	FY 2013
General obligation bonds, certificates of obligations and tax notes (backed by the City)	\$225,586	\$198,605	\$ -	\$ -	\$225,586	\$198,605
Revenue bonds (backed by fee revenues)	-	-	65,442	68,980	65,442	68,980
Totals	\$225,586	\$198,605	\$65,442	\$68,980	\$291,028	\$267,585

In 2014, the City received renewal of its General Obligation and Revenue bond ratings. Standard and Poor's, one of the nation's largest bond rating agencies, maintained its AAA rating for General Obligation Bonds and affirmed the AA+ rating for Water & Wastewater Revenue Bonds. Moody's Investors Service affirmed its Aa1 rating for General Obligation Bonds and Aa2 for Water & Wastewater Revenue Bonds.

Additional information on the long-term debt can be found in Note (3)H to the financial statements starting at page 52.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for the business-type activities.

The priority for fiscal year 2015 is to maintain quality service while observing prudent spending practices.

Highlights of the 2015 budget include:

- Balanced budget
- Property tax rate lowered ¼ of a cent
- Water and Wastewater rates increased 2.5%
- Solid Waste Rates remained the same
- Increased and sustained funding for equipment and facilities improvements
- Total city budget \$321.2 million including internal transfers

The property tax rate for fiscal year 2015 was lowered to \$0.583 per \$100 assessed value. The homestead exemptions for elderly and disabled persons remained at fifty thousand dollars.

For fiscal year 2015, the water and wastewater (sewer) rates will increase 2.5%. The monthly residential base water and sewer charge will each increase from \$12.08 to \$12.38. The water volume rate will increase from \$3.33 to \$3.41 per thousand gallons for the first 20,000 gallons. This rate increases to \$4.26 if the monthly consumption exceeds 20,001 gallons but less than 40,000 gallons; consumption over 40,001 will be charged \$5.11. The wastewater volume rate will increase from \$3.40 to \$3.49 per thousand gallons with a maximum volume of 8,000 gallons.

The Solid Waste Fund has a strong fund balance. The solid waste rate will remain the same for all customers. An average residential household solid waste rate is \$15.36 per month. This includes refuse collection, disposal, and the single stream recycling program.

Requests For Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.



BASIC FINANCIAL STATEMENTS



**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 132,456,717	\$ 29,597,727	\$ 162,054,444	\$ 44,301,535
Investments	19,433,176	7,580,254	27,013,430	2,980,887
Receivables (net of allowance for uncollectibles)	11,167,067	10,096,408	21,263,475	4,269,967
Internal balances	439,885	(439,885)	-	-
Due from other governments	340,812	281,729	622,541	-
Note receivable from component unit	-	4,000,000	4,000,000	-
Inventory	241,881	377,287	619,168	-
Prepaid items	552,024	652,432	1,204,456	55,869
Restricted assets:				
Cash and cash equivalents	-	36,717,573	36,717,573	1,590,864
Investments	-	13,392,709	13,392,709	-
Accrued interest receivable	-	55,911	55,911	-
Capital assets:				
Non depreciable	77,346,911	39,880,713	117,227,624	19,942,201
Depreciable (net)	411,557,756	355,986,478	767,544,234	2,475,740
Total Assets	653,536,229	498,179,336	1,151,715,565	75,617,063
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge for refunding	906,910	113,186	1,020,096	-
Excess consideration provided for acquisition	-	6,714,919	6,714,919	-
Total Deferred Outflows of Resources	906,910	6,828,105	7,735,015	-
LIABILITIES				
Accounts payable	11,426,266	1,935,869	13,362,135	483,077
Other accrued liabilities	13,909,750	1,504,459	15,414,209	29,478
Unearned revenue	93,877	-	93,877	10,995
Accrued interest payable	1,124,487	112,515	1,237,002	51,360
Deposits	484,156	2,381,582	2,865,738	-
Non-current liabilities:				
Due within one year:				
Note payable to primary government	-	-	-	784,159
Compensated absences	764,440	70,828	835,268	10,419
Bonds payable	13,485,000	4,625,000	18,110,000	975,000
Due in more than one year:				
Note payable to primary government	-	-	-	3,215,841
Compensated absences	7,428,912	688,303	8,117,215	101,254
OPEB liability	797,947	-	797,947	-
Bonds payable	212,101,046	60,817,436	272,918,482	12,720,000
Total Liabilities	261,615,881	72,135,992	333,751,873	18,381,583
NET POSITION				
Net investment in capital assets	252,289,367	330,537,941	582,827,308	8,346,972
Restricted for:				
Use of impact fees	5,692,253	7,564,939	13,257,192	-
Highways and streets	24,938,952	-	24,938,952	-
Debt service	2,104,797	5,601,263	7,706,060	1,590,864
Other capital projects	50,015,128	-	50,015,128	-
Public safety	896,023	-	896,023	-
Community development	779,686	-	779,686	-
Library	248,630	-	248,630	-
Cultural and recreation	15,412	-	15,412	-
Grants	434,681	-	434,681	-
Unrestricted	55,412,329	89,167,306	144,579,635	47,297,644
Total Net Position	\$ 392,827,258	\$ 432,871,449	\$ 825,698,707	\$ 57,235,480

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 33,368,297	\$ 1,467,171	\$ 28,033	\$ -
Police	26,024,709	2,552,326	604,228	-
Fire	22,806,691	2,394,449	237,734	-
Libraries	3,320,179	112,271	34,473	-
Development	10,057,171	7,264,193	951,680	-
Parks and recreation	10,415,311	965,429	590,400	8,270,854
Public works	37,604,682	-	-	20,556,795
Interest on long-term debt	8,482,455	528,000	-	-
Airport	-	2,199	-	-
Total governmental activities	152,079,495	15,286,038	2,446,548	28,827,649
Business-type activities:				
Water/wastewater	55,007,446	54,882,881	-	14,448,466
Solid waste	6,280,217	7,372,250	-	4,760
Golf course	194,403	105,854	-	-
Surface water drainage	1,934,435	1,998,850	-	67,792
Airport	8,601,099	4,587,659	94,582	82,262,979
Total business-type activities	72,017,600	68,947,494	94,582	96,783,997
Total primary government	\$ 224,097,095	\$ 84,233,532	\$ 2,541,130	\$ 125,611,646
Component units:				
Governmental Activities:				
McKinney Economic Development Corp	\$ 6,181,699	\$ 3,417,016	\$ -	\$ -
McKinney Community Development Corp	8,591,676	-	-	-
McKinney Convention & Visitors Bureau	491,638	-	485,000	-
McKinney Main Street Corporation	671,227	756,921	5,646	-
Total governmental activities	15,936,240	4,173,937	490,646	-
Business-type activities:				
Collin County Airport Development Corp	78,727,529	-	-	-
Total component units	\$ 94,663,769	\$ 4,173,937	\$ 490,646	\$ -

General revenues:

Property taxes
Sales taxes
Franchise taxes
Investment income
Gain (loss) on sale of assets
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Change in accounting principle

Prior period adjustment

Net position - beginning, as restated

Net position - ending

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (31,873,093)	\$ -	\$ (31,873,093)	\$ -
(22,868,155)	-	(22,868,155)	-
(20,174,508)	-	(20,174,508)	-
(3,173,435)	-	(3,173,435)	-
(1,841,298)	-	(1,841,298)	-
(588,628)	-	(588,628)	-
(17,047,887)	-	(17,047,887)	-
(7,954,455)	-	(7,954,455)	-
2,199	-	2,199	-
<u>(105,519,260)</u>	<u>-</u>	<u>(105,519,260)</u>	<u>-</u>
-	14,323,901	14,323,901	-
-	1,096,793	1,096,793	-
-	(88,549)	(88,549)	-
-	132,207	132,207	-
-	78,344,121	78,344,121	-
-	<u>93,808,473</u>	<u>93,808,473</u>	-
<u>(105,519,260)</u>	<u>93,808,473</u>	<u>(11,710,787)</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ (2,764,683)
-	-	-	(8,591,676)
-	-	-	(6,638)
-	-	-	91,340
-	-	-	<u>(11,271,657)</u>
-	-	-	<u>(78,727,529)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,999,186)</u>
\$ 70,586,659	\$ -	\$ 70,586,659	\$ -
21,298,884	-	21,298,884	20,150,958
13,630,462	-	13,630,462	-
298,151	565,121	863,272	30,385
-	(851,572)	(851,572)	(568,297)
4,282,531	-	4,282,531	4,239
<u>(15,104,793)</u>	<u>15,104,793</u>	<u>-</u>	<u>-</u>
<u>94,991,894</u>	<u>14,818,342</u>	<u>109,810,236</u>	<u>19,617,285</u>
(10,527,366)	108,626,815	98,099,449	(70,381,901)
404,230,461	324,796,213	729,026,674	134,911,619
(875,837)	(551,579)	(1,427,416)	(116,998)
-	-	-	(7,177,240)
<u>403,354,624</u>	<u>324,244,634</u>	<u>727,599,258</u>	<u>127,617,381</u>
<u>\$ 392,827,258</u>	<u>\$ 432,871,449</u>	<u>\$ 825,698,707</u>	<u>\$ 57,235,480</u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET-GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Street Construction</u>
ASSETS			
Cash and cash equivalents	\$ 40,085,529	\$ 2,897,254	\$ 22,380,216
Investments	9,897,441	-	9,535,735
Receivables (net of allowance for uncollectibles):			
Delinquent property taxes	765,488	325,412	-
Accounts	2,855,395	-	-
Other taxes and fees	6,494,692	-	-
Accrued interest	34,868	6,618	10,960
Other receivable	-	-	-
Due from other funds	612,885	-	-
Due from other governments	70,241	-	-
Inventory	241,881	-	-
Prepaid items	532,207	-	-
Total assets	<u>\$ 61,590,627</u>	<u>\$ 3,229,284</u>	<u>\$ 31,926,911</u>
LIABILITIES			
Accounts payable	\$ 2,011,277	\$ -	\$ 314,274
Other accrued liabilities	12,813,010	-	981,432
Deposits	484,156	-	-
Due to other funds	-	-	-
Unearned revenue	65,224	-	-
Total liabilities	<u>15,373,667</u>	<u>-</u>	<u>1,295,706</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	4,378,093	312,273	-
Total deferred inflows of resources	<u>4,378,093</u>	<u>312,273</u>	<u>-</u>
FUND BALANCES			
NONSPENDABLE:			
Inventory	241,882	-	-
Prepaid items	531,453	-	-
RESTRICTED:			
Debt service	-	2,917,011	-
Street construction	-	-	30,631,205
Other capital projects funds	-	-	-
Law enforcement	-	-	-
Fire	-	-	-
Library	-	-	-
Community housing	-	-	-
Veterans Memorial Park	-	-	-
Hotel/Motel	-	-	-
Grants	-	-	-
ASSIGNED:			
OPEB	2,026,617	-	-
UNASSIGNED	39,038,915	-	-
Total fund balances	<u>41,838,867</u>	<u>2,917,011</u>	<u>30,631,205</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 61,590,627</u>	<u>\$ 3,229,284</u>	<u>\$ 31,926,911</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Facilities Improvement	Non-Major Governmental Funds	Total Governmental Funds
\$ 20,744,495	\$ 39,296,457	\$ 125,403,951
-	-	19,433,176
-	-	1,090,900
-	9,386	2,864,781
-	370,401	6,865,093
14,804	21,951	89,201
-	884	884
-	-	612,885
-	270,571	340,812
-	-	241,881
-	19,817	552,024
<u>\$ 20,759,299</u>	<u>\$ 39,989,467</u>	<u>\$ 157,495,588</u>
\$ 7,325,408	\$ 697,020	\$ 10,347,979
4,296	111,012	13,909,750
-	-	484,156
-	173,000	173,000
-	28,653	93,877
<u>7,329,704</u>	<u>1,009,685</u>	<u>25,008,762</u>
-	-	4,690,366
-	-	4,690,366
-	-	241,882
-	19,817	551,270
-	-	2,917,011
-	-	30,631,205
13,429,595	36,585,533	50,015,128
-	855,456	855,456
-	40,567	40,567
-	248,630	248,630
-	85,617	85,617
-	15,412	15,412
-	779,686	779,686
-	349,064	349,064
-	-	2,026,617
-	-	39,038,915
<u>13,429,595</u>	<u>38,979,782</u>	<u>127,796,460</u>
<u>\$ 20,759,299</u>	<u>\$ 39,989,467</u>	<u>\$ 157,495,588</u>



**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balance-governmental funds.	\$ 127,796,460
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	849,422,621
Accumulated depreciation has not been included in the governmental fund financial statements.	(360,517,954)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(8,193,352)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(218,030,000)
Internal service funds are used by management to charge the cost of certain activities such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	6,230,687
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.	906,910
OPEB liability has not been included in the governmental fund financial statements.	(797,947)
Premiums on issuance of debt are recognized as other financing sources in the governmental fund financial statements, but are recognized over the life of the bonds at the government-wide level.	(7,556,046)
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	4,690,366
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(1,124,487)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 392,827,258</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General</u>	<u>Debt Service</u>	<u>Street Construction</u>
REVENUES			
Property taxes	\$ 50,285,840	\$ 19,549,268	\$ -
Sales and use taxes	19,024,632	-	-
Franchise fees	13,696,854	-	-
Licenses and permits	8,168,583	-	-
Intergovernmental	538,991	-	3,556,530
Charges for services	4,544,444	528,000	-
Fines and forfeitures	1,891,933	-	-
Investment income	132,124	9,633	62,066
Contributions	644,052	-	3,140,457
Miscellaneous	330,776	-	-
Total Revenues	<u>99,258,229</u>	<u>20,086,901</u>	<u>6,759,053</u>
EXPENDITURES			
Current:			
General government	29,408,114	-	-
Police	24,410,078	-	-
Fire	20,886,545	-	-
Libraries	2,856,543	-	-
Development	7,971,340	-	-
Parks and recreation	7,416,675	-	-
Public works	11,289,497	-	860,961
Debt Service:			
Principal retirement	-	10,810,000	-
Interest and fiscal charges	-	9,304,662	-
Capital Expenditures:			
General government	197,617	-	-
Police	904,567	-	-
Fire	354,878	-	-
Libraries	-	-	-
Development	243,356	-	-
Parks and recreation	376,863	-	-
Public works	252,801	-	8,374,026
Total expenditures	<u>106,568,874</u>	<u>20,114,662</u>	<u>9,234,987</u>
Excess (deficiency) of revenues over expenditures	<u>(7,310,645)</u>	<u>(27,761)</u>	<u>(2,475,934)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	23,910,000	-
Deposit to bond refunding escrow account	-	(27,119,524)	-
Premium on issuance of debt	-	3,513,918	-
Proceeds from sale of property	25,972	-	-
Transfers in	3,612,850	400,324	-
Transfers out	(5,282,564)	-	-
Total other financing sources (uses)	<u>(1,643,742)</u>	<u>704,718</u>	<u>-</u>
Net change in fund balances	(8,954,387)	676,957	(2,475,934)
Fund balances, beginning of year	50,793,254	2,240,054	33,107,139
Fund balances, end of year	<u>\$ 41,838,867</u>	<u>\$ 2,917,011</u>	<u>\$ 30,631,205</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Facilities Improvement	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 527,466	\$ 70,362,574
-	2,253,377	21,278,009
-	-	13,696,854
-	-	8,168,583
-	1,309,741	5,405,262
-	2,199	5,074,643
-	299,969	2,191,902
15,666	71,705	291,194
6,711,115	1,558,135	12,053,759
-	36,776	367,552
<u>6,726,781</u>	<u>6,059,368</u>	<u>138,890,332</u>
210,930	1,257,789	30,876,833
-	193,040	24,603,118
-	118,084	21,004,629
-	12,204	2,868,747
-	1,646,036	9,617,376
-	387,665	7,804,340
-	-	12,150,458
-	-	10,810,000
-	-	9,304,662
49,746	814,557	1,061,920
-	168,072	1,072,639
-	39,796	394,674
-	17,443	17,443
18,014,091	-	18,257,447
-	3,928,928	4,305,791
-	487,840	9,114,667
<u>18,274,767</u>	<u>9,071,454</u>	<u>163,264,744</u>
<u>(11,547,986)</u>	<u>(3,012,086)</u>	<u>(24,374,412)</u>
5,795,000	26,665,000	56,370,000
-	-	(27,119,524)
-	173,367	3,687,285
-	-	25,972
-	5,009,270	9,022,444
-	(18,844,673)	(24,127,237)
<u>5,795,000</u>	<u>13,002,964</u>	<u>17,858,940</u>
(5,752,986)	9,990,878	(6,515,472)
19,182,581	28,988,904	134,311,932
<u>\$ 13,429,595</u>	<u>\$ 38,979,782</u>	<u>\$ 127,796,460</u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances- total governmental funds.	\$ (6,515,472)
Current year capital outlays are expenditures in the fund financial statements, but they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2014 capital outlays is to increase net position.	34,195,671
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.	(33,266,301)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	10,810,000
Current year bond proceeds are other financing sources in the governmental funds financial statements, but are shown as an increase in liabilities in the government-wide financial statements.	(56,370,000)
Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	27,119,524
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.	(39,167)
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(636,035)
Changes in the other post employment benefit assets and liabilities are not reported at the fund level; however they are reported at the government-wide level.	29,188
Premium and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements.	(2,747,505)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.	3,928,046
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(21,264)
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	13,859,808
Amortization of deferred refunding amounts is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net position.	(78,406)
In governmental fund financial statements the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	<u>(795,353)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (10,527,266)</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES- BUDGET (GAAP BASIS) AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Property taxes	\$ 50,870,288	\$ 50,650,288	\$ 50,285,840	\$ (364,448)
Sales and use taxes	19,130,000	19,230,000	19,024,632	(205,368)
Franchise fees	13,160,483	13,335,483	13,696,854	361,371
Licenses and permits	7,193,000	7,726,250	8,168,583	442,333
Intergovernmental	617,901	622,901	538,991	(83,910)
Charges for services	4,484,532	4,767,682	4,544,444	(223,238)
Fines and forfeitures	1,844,650	1,972,750	1,891,933	(80,817)
Investment income	213,662	167,951	132,124	(35,827)
Contributions	670,350	670,350	644,052	(26,298)
Miscellaneous	315,700	265,700	330,776	65,076
Total revenues	<u>98,500,566</u>	<u>99,409,355</u>	<u>99,258,229</u>	<u>(151,126)</u>
EXPENDITURES				
General government	24,433,819	22,353,054	29,605,731	(7,252,677)
Police	26,697,146	26,319,818	25,314,645	1,005,173
Fire	21,088,550	22,175,306	21,241,423	933,883
Libraries	2,876,384	2,967,550	2,856,543	111,007
Development	8,859,822	9,165,474	8,214,696	950,778
Parks and recreation	8,168,858	8,265,384	7,793,538	471,846
Public works	10,710,320	11,521,493	11,542,298	(20,805)
Total expenditures	<u>102,834,899</u>	<u>102,768,079</u>	<u>106,568,874</u>	<u>(3,800,795)</u>
Excess (deficiency) of revenues over expenditures	<u>(4,334,333)</u>	<u>(3,358,724)</u>	<u>(7,310,645)</u>	<u>(3,951,921)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	50,000	50,000	25,972	(24,028)
Transfers in	3,094,703	3,802,850	3,612,850	(190,000)
Transfers out	<u>(1,770,504)</u>	<u>(5,335,661)</u>	<u>(5,282,564)</u>	<u>53,097</u>
Total other financing sources (uses)	<u>1,374,199</u>	<u>(1,482,811)</u>	<u>(1,643,742)</u>	<u>(160,931)</u>
Net change in fund balances	(2,960,134)	(4,841,535)	(8,954,387)	(4,112,852)
Fund balances, beginning of year	<u>50,793,254</u>	<u>50,793,254</u>	<u>50,793,254</u>	<u>-</u>
Fund balances, end of year	<u>\$ 47,833,120</u>	<u>\$ 45,951,719</u>	<u>\$ 41,838,867</u>	<u>\$ (4,112,852)</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 19,613,581	\$ 1,180,392	\$ 8,803,754	\$ 29,597,727	\$ 7,052,766
Investments	7,032,881	-	547,373	7,580,254	-
Restricted assets:					
Cash and cash equivalents	34,270,814	2,436,759	10,000	36,717,573	-
Receivables (net of allowance for uncollectibles)	7,437,401	49,765	2,602,254	10,089,420	256,208
Accrued interest receivable	5,000	-	1,988	6,988	-
Due from other funds	11,975	-	-	11,975	-
Notes receivable- interfund	-	-	877,318	877,318	-
Notes receivable- component unit	-	-	4,000,000	4,000,000	-
Due from other governments	238,307	43,422	-	281,729	-
Inventory	325,431	51,856	-	377,287	-
Prepaid items	566	651,866	-	652,432	-
Total current assets	68,935,956	4,414,060	16,842,687	90,192,703	7,308,974
Non-current assets:					
Restricted assets:					
Investments	13,392,709	-	-	13,392,709	-
Accrued interest receivable	41,618	14,293	-	55,911	-
Total restricted assets	13,434,327	14,293	-	13,448,620	-
Capital assets:					
Land	9,894,550	19,190,706	566,509	29,651,765	-
Buildings	11,981,745	23,187,508	1,663,564	36,832,817	-
Improvements other than buildings	347,793,709	59,728,087	3,191,135	410,712,931	-
Machinery and equipment	7,589,373	969,636	1,471,139	10,030,148	-
Construction in progress	10,031,795	197,153	-	10,228,948	-
Less accumulated depreciation	(80,744,292)	(16,816,934)	(4,028,192)	(101,589,418)	-
Total capital assets (net of accumulated depreciation)	306,546,880	86,456,156	2,864,155	395,867,191	-
Total non-current assets	319,981,207	86,470,449	2,864,155	409,315,811	-
TOTAL ASSETS	388,917,163	90,884,509	19,706,842	499,508,514	7,308,974
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge for refunding	113,186	-	-	113,186	-
Excess consideration provided for acquisition	-	6,714,919	-	6,714,919	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	113,186	6,714,919	-	6,828,105	-

(continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,549,003	\$ 92,969	\$ 136,724	\$ 1,778,696	\$ 1,078,287
Other accrued liabilities	441,445	32,815	719,433	1,193,693	-
Due to other funds	411,491	-	40,369	451,860	-
Note payable- interfund	-	-	47,947	47,947	-
Compensated absences	48,626	8,687	13,515	70,828	-
Accrued interest payable	112,515	-	-	112,515	-
Total current liabilities unrestricted	2,563,080	134,471	957,988	3,655,539	1,078,287
Liabilities (payable from restricted assets):					
Accounts payable	131,778	25,395	-	157,173	-
Revenue bonds payable, current	4,625,000	-	-	4,625,000	-
Other accrued liabilities	310,766	-	-	310,766	-
Deposits	2,291,487	80,095	10,000	2,381,582	-
Total current liabilities (payable from restricted assets)	7,359,031	105,490	10,000	7,474,521	-
Total current liabilities	9,922,111	239,961	967,988	11,130,060	1,078,287
Non-current liabilities:					
Compensated absences	472,551	84,417	131,335	688,303	-
Note payable- interfund	-	-	829,371	829,371	-
Revenue bonds, certificates of obligation payable	60,817,436	-	-	60,817,436	-
Total noncurrent liabilities	61,289,987	84,417	960,706	62,335,110	-
TOTAL LIABILITIES	71,212,098	324,378	1,928,694	73,465,170	1,078,287
NET POSITION					
Net investment in capital assets	241,217,630	86,456,156	2,864,155	330,537,941	-
Restricted for:					
Use of impact fees	7,564,939	-	-	7,564,939	-
Debt service	5,601,263	-	-	5,601,263	-
Unrestricted	63,434,419	10,818,894	14,913,993	89,167,306	6,230,687
TOTAL NET POSITION	\$ 317,818,251	\$ 97,275,050	\$ 17,778,148	\$ 432,871,449	\$ 6,230,687

(concluded)

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Airport	Other	Total	Internal Service Fund
			Enterprise Funds		
OPERATING REVENUES					
Charges for services	\$ 54,735,191	\$ 4,585,863	\$ 9,372,695	\$ 68,693,749	\$ 17,117,228
Intergovernmental	-	94,582	-	94,582	-
Miscellaneous	147,690	-	104,259	251,949	-
Total operating revenues	54,882,881	4,680,445	9,476,954	69,040,280	17,117,228
OPERATING EXPENSES					
Personnel services	5,814,559	1,470,389	1,977,802	9,262,750	91,716
Materials and supplies	635,879	2,143,073	87,267	2,866,219	-
Maintenance	1,587,012	41,486	317,062	1,945,560	-
Purchase of water	31,428,596	-	-	31,428,596	-
Contract payments	3,256,842	255,180	5,587,543	9,099,565	-
Utilities	883,495	172,248	9,588	1,065,331	-
Depreciation	7,810,066	3,919,453	249,646	11,979,165	-
Other	758,201	375,994	180,147	1,314,342	13,104,423
Total operating expenses	52,174,650	8,377,823	8,409,055	68,961,528	13,196,139
Operating income	2,708,231	(3,697,378)	1,067,899	78,752	3,921,089
NON-OPERATING REVENUES (EXPENSES)					
Investment income	430,522	2,700	131,899	565,121	6,957
Interest and fiscal charges	(2,788,982)	(221,480)	-	(3,010,462)	-
Amortization of deferred refunding amount	(43,814)	-	-	(43,814)	-
Loss from disposal of assets	(851,572)	-	-	(851,572)	-
Total non-operating revenues (expenses)	(3,253,846)	(218,780)	131,899	(3,340,727)	6,957
Income(loss) before contributions and transfers	(545,615)	(3,916,158)	1,199,798	(3,261,975)	3,928,046
Contributions	14,448,466	82,262,979	72,552	96,783,997	-
Transfers in	-	19,340,513	58,460	19,398,973	-
Transfers out	(3,393,560)	(412,284)	(488,336)	(4,294,180)	-
Change in net position	10,509,291	97,275,050	842,474	108,626,815	3,928,046
Net position - beginning	307,860,539	-	16,935,674	324,796,213	2,302,641
Change in accounting principle	(551,579)	-	-	(551,579)	-
Total net position-beginning, as restated	307,308,960	-	16,935,674	324,244,634	2,302,641
Total net position-ending	\$ 317,818,251	\$ 97,275,050	\$ 17,778,148	\$ 432,871,449	\$ 6,230,687

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 57,899,875	\$ 4,704,776	\$ 8,365,602	\$ 70,970,253	\$ 16,936,285
Other operating revenues	147,690	94,582	104,259	346,531	-
Cash payments to employees for services	(5,727,983)	(1,407,358)	(1,948,168)	(9,083,509)	(91,716)
Cash payments to suppliers for goods and services	(38,907,662)	(3,656,619)	(6,037,403)	(48,601,684)	(13,142,229)
Net cash provided by operating activities	13,411,920	(264,619)	484,290	13,631,591	3,702,340
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	19,340,513	58,460	19,398,973	-
Transfers to other funds	(3,393,560)	(412,284)	(488,336)	(4,294,180)	-
Net cash used in non-capital financing activities	(3,393,560)	18,928,229	(429,876)	15,104,793	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(4,565,000)	-	-	(4,565,000)	-
Principal paid on loans	-	-	(47,122)	(47,122)	-
Payments received on loans to component units	-	-	1,177,500	1,177,500	-
Proceeds from advances	-	-	47,122	47,122	-
Interest and fiscal charges on debt	(2,796,541)	(221,480)	-	(3,018,021)	-
Acquisition and construction of capital assets	(3,510,951)	(25,824,601)	(56,934)	(29,392,486)	-
Proceeds from sale of assets	20,318	-	-	20,318	-
Capital grants	42,269	3,535,450	-	3,577,719	-
Contributions	2,787,586	-	-	2,787,586	-
Net cash provided by (used in) capital and related financing activities	(8,022,319)	(22,510,631)	1,120,566	(29,412,384)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(4,000,000)	-	6,582	(3,993,418)	-
Proceeds from sale and maturities of securities	6,103,807	-	-	6,103,807	-
Contribution from component unit	-	7,461,472	-	7,461,472	-
Investment earnings	199,753	2,700	131,900	334,353	6,957
Net cash provided by (used in) investing activities	2,303,560	7,464,172	138,482	9,906,214	6,957
Net increase in cash	4,299,601	3,617,151	1,313,462	9,230,214	3,709,297
Cash and cash equivalents at beginning of year	49,584,794	-	7,500,292	57,085,086	3,343,469
Cash and cash equivalents at end of year	\$ 53,884,395	\$ 3,617,151	\$ 8,813,754	\$ 66,315,300	\$ 7,052,766
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS					
Unrestricted cash and cash equivalents	\$ 19,613,581	\$ 1,180,392	\$ 8,803,754	\$ 29,597,727	\$ 7,052,766
Restricted cash and cash equivalents	34,270,814	2,436,759	10,000	36,717,573	-
	\$ 53,884,395	\$ 3,617,151	\$ 8,813,754	\$ 66,315,300	\$ 7,052,766
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 2,708,231	\$ (3,697,378)	\$ 1,067,899	\$ 78,752	\$ 3,921,089
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation and amortization	7,810,066	3,919,453	249,646	11,979,165	-
Provision for bad debt	139,201	-	25,355	164,556	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	2,889,448	61,532	(1,032,448)	1,918,532	(180,943)
Due from other funds	(2,474)	-	-	(2,474)	-
Inventory	(65,480)	(51,856)	-	(117,336)	-
Prepaid expense	(66)	(651,166)	-	(651,232)	-
Increase (decrease) in liabilities:					
Accounts payable	(461,280)	34,343	74,254	(352,683)	(37,806)
Accrued liabilities	170,113	24,282	78,734	273,129	-
Due to other funds	29,392	-	5,335	34,727	-
Liability for accrued vacation	56,260	38,790	15,515	110,565	-
Deposits	138,509	57,381	-	195,890	-
Total adjustments	10,703,689	3,432,759	(583,609)	13,552,839	(218,749)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 13,411,920	\$ (264,619)	\$ 484,290	\$ 13,631,591	\$ 3,702,340
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 11,618,611	\$ 71,265,927	\$ -	\$ 82,884,538	\$ -
Non-cash change in fair value of assets	(196,425)	-	-	(196,425)	-

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2014**

	<u>Agency Fund</u>
	<u>BB Owen Park</u>
ASSETS	
Cash and cash equivalents	\$ 10,913,741
Total assets	<u>\$ 10,913,741</u>
LIABILITIES	
Developer escrows	\$ 10,913,741
Total liabilities	<u>\$ 10,913,741</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2014**

	Governmental Activities				Business-Type Activities	Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Collin County Airport Dev. Corporation	
ASSETS						
Cash and cash equivalents	\$ 16,011,666	\$ 27,522,968	\$ 372,632	\$ 394,269	\$ -	\$ 44,301,535
Investments	-	2,980,887	-	-	-	2,980,887
Receivables (net of allowance for uncollectibles)	2,289,844	1,796,339	584	183,200	-	4,269,967
Due from other governments	-	-	-	-	-	-
Prepaid items	36,246	7,352	11,794	477	-	55,869
Deferred charges	-	-	-	-	-	-
Restricted assets:						
Cash and cash equivalents	1,590,864	-	-	-	-	1,590,864
Capital assets:						
Non depreciable	14,972,139	4,970,062	-	-	-	19,942,201
Depreciable (net)	54,251	2,421,489	-	-	-	2,475,740
Total Assets	34,955,010	39,699,097	385,010	577,946	-	75,617,063
LIABILITIES						
Accounts payable	54,512	11,254	11,289	406,022	-	483,077
Other accrued liabilities	18,252	5,118	6,108	-	-	29,478
Unearned revenue	-	-	-	10,995	-	10,995
Accrued interest payable	51,360	-	-	-	-	51,360
Deposits	-	-	-	-	-	-
Non-current liabilities:						
Due within one year:						
Note payable to primary government	784,159	-	-	-	-	784,159
Compensated absences	5,365	1,297	3,757	-	-	10,419
Bonds payable	975,000	-	-	-	-	975,000
Due in more than one year:						
Note payable to primary government	3,215,841	-	-	-	-	3,215,841
Compensated absences	52,137	12,600	36,517	-	-	101,254
Bonds payable	12,720,000	-	-	-	-	12,720,000
Total Liabilities	17,876,626	30,269	57,671	417,017	-	18,381,583
NET POSITION						
Net investment in capital assets	955,421	7,391,551	-	-	-	8,346,972
Restricted for:						
Debt service	1,590,864	-	-	-	-	1,590,864
Unrestricted	14,532,099	32,277,277	327,339	160,929	-	47,297,644
Total Net Position	\$ 17,078,384	\$ 39,668,828	\$ 327,339	\$ 160,929	\$ -	\$ 57,235,480

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
McKinney Economic Development Corp	\$ 6,181,699	\$ 3,417,016	\$ -	\$ -
McKinney Community Development Corp	8,591,676	-	-	-
McKinney Convention & Visitors Bureau	491,638	-	485,000	-
McKinney Main Street Corp	671,227	756,921	5,646	-
Total governmental activities	<u>15,936,240</u>	<u>4,173,937</u>	<u>490,646</u>	<u>-</u>
Business-type activities:				
Collin County Airport Development Corp	78,727,529	-	-	-
Total business-type activities				
Total component units	<u>\$ 94,663,769</u>	<u>\$ 4,173,937</u>	<u>\$ 490,646</u>	<u>\$ -</u>

General revenues:
Sales taxes
Investment income
Gain (loss) on the sale of assets
Miscellaneous
Total general revenues
Change in net position
Net position - beginning
Change in accounting principle
Prior period adjustment
Net position - beginning, as restated
Net position - ending

The accompanying notes to the basic financial statements are an integral part of this statement.

Component Units					
McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Collin County Airport Dev. Corporation	Total
\$ (2,764,683)	\$ -	\$ -	\$ -	\$ -	\$ (2,764,683)
-	(8,591,676)	-	-	-	(8,591,676)
-	-	(6,638)	-	-	(6,638)
-	-	-	91,340	-	91,340
<u>(2,764,683)</u>	<u>(8,591,676)</u>	<u>(6,638)</u>	<u>91,340</u>	<u>-</u>	<u>(11,271,657)</u>
-	-	-	-	(78,727,529)	(78,727,529)
<u>\$ (2,764,683)</u>	<u>\$ (8,591,676)</u>	<u>\$ (6,638)</u>	<u>\$ 91,340</u>	<u>\$ (78,727,529)</u>	<u>\$ (89,999,186)</u>
\$ 10,075,479	\$ 10,075,479	\$ -	\$ -	\$ -	\$ 20,150,958
12,561	17,405	419	-	-	30,385
(568,297)	-	-	-	-	(568,297)
-	-	4,239	-	-	4,239
<u>9,519,743</u>	<u>10,092,884</u>	<u>4,658</u>	<u>-</u>	<u>-</u>	<u>19,617,285</u>
6,755,060	1,501,208	(1,980)	91,340	(78,727,529)	(70,381,901)
17,617,562	38,167,620	329,319	69,589	78,727,529	134,911,619
(116,998)	-	-	-	-	(116,998)
<u>(7,177,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,177,240)</u>
<u>10,323,324</u>	<u>38,167,620</u>	<u>329,319</u>	<u>69,589</u>	<u>78,727,529</u>	<u>127,617,381</u>
<u>\$ 17,078,384</u>	<u>\$ 39,668,828</u>	<u>\$ 327,339</u>	<u>\$ 160,929</u>	<u>\$ -</u>	<u>\$ 57,235,480</u>

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of McKinney (the City) was incorporated in 1848. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2014.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Combining statements for the five discretely presented component units have also been presented in the basic financial statements following the fund information.

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund. For more information about the MEDC, refer to Note 11 at page 63.

The McKinney Community Development Corporation (MCDC) is also a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council, and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund. For more information about the MCDC, refer to Note 12 at page 68.

The Collin County Airport Development Corporation (CCADC) is a discretely presented component unit in the basic financial statements. The governing body of the CCADC is appointed by the City Council and the CCADC's operating and capital budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the CCADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. The CCADC operating budget is financed by contributions from the City's General Fund and charges for services, while the capital is financed primarily by Federal Aviation Administration grants passed through the Texas Department of Transportation Aviation Division, City backed general obligation and certificates of obligations bonds and sales tax funds awarded by the McKinney Economic Development Corporation for economic development. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The CCADC has a September 30 year-end. Under a contract with the CCADC, the City performs financial services for the CCADC. There are no separately issued financial statements of the CCADC, which is reported as a proprietary fund. In November 2013, the management agreement with the CCADC was formally rescinded and the City purchased airport operations at McKinney National Airport. The CCADC board continues to exist as a City appointed advisory entity to McKinney National Airport. For more information about the CCADC, refer to Note 13 at page 71.

In November 2013, City Council approved a resolution to amend the bylaws of McKinney Main Street (MMS). During fiscal year 2014, the City reassessed MMS and determined that it should be reported as a governmental fund discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. The City does not have a voting majority of MMS. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS. For more information about MMS, refer to Note 14 at page 71.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB.

There are no separately issued financial statements of the MCVB. For more information about the MCVB, refer to Note 15 at page 73.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, and the street construction fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities.

All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

- a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.
- c. **The Street Construction Fund** is used to account for the acquisition or construction of streets projects being financed from general obligation or certificate of obligation bond proceeds, grants, or transfers from other funds.
- d. **The Facilities Improvement Fund** is used account for land acquisition, construction, renovation, and equipping of government facilities. Proceeds from bonds and other non-recurring revenue sources are allocated to this fund.

Other Governmental Funds is a summarization of all of the non-major governmental funds.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.
- b. **The Airport Fund**, is used to account for the operations of the airport.

**CITY OF MCKINNEY, TEXAS
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Other Proprietary Funds is a summarization of all of the non-major proprietary funds.

The Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in this fund. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants.

3. Agency fund:

Agency Fund: The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

E. Cash and Cash Equivalents

Cash of all funds, excluding the City's payroll clearing account, emergency medical service, law enforcement bank account, and certain escrow accounts, is pooled into a common interest-earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City'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.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments purchased with pooled cash, as well as separate investments, are recorded at cost and adjusted to fair value at year-end for securities with a maturity of one year or more from the date of investment. The fair value is based on the market price. The fair value of the local government investment pools are the same as the fair value of the pool shares. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

F. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2014, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

G. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as “due to/from other funds.” Long-term advances between funds are reported as “advances to/from other funds” and represent the non-current portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**CITY OF MCKINNEY, TEXAS
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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2014, no interest costs were capitalized in the Water and Wastewater Enterprise Fund.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/Structures	10 to 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 to 15
Motor Vehicles	2 to 10
Traffic Signals	10 to 15
Parks	20
Service Animals	7 to 10
Storm Sewer	50
Streets	20

J. Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 10 years of service.

All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF MCKINNEY, TEXAS
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Deferred charge for refunding are amortized straight line over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the city. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

**CITY OF MCKINNEY, TEXAS
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Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2014, the total amendments to the original adopted budgeted amounts resulted in a \$66,820 decrease in budgeted General Fund expenditures.

Budgets for the General Fund, Debt Service Fund, Street Construction Fund, Facilities Improvement Fund, each non-major special revenue fund, and each non-major capital projects fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management.

B. Excess of Expenditures over Appropriations

During the current year, the General Fund's expenditures were in excess of the appropriations. The overage was due to an unexpected legal judgment of \$9 million which was ordered late in the year.

**CITY OF MCKINNEY, TEXAS
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YEAR ENDED SEPTEMBER 30, 2014**

(3) DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Cash and investments as of September 30, 2014, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 162,054,444
Investments	27,013,430
Restricted cash and cash equivalents	36,717,573
Restricted investments	<u>13,392,709</u>
Total cash and investments	<u>\$ 239,178,156</u>
Cash on hand	\$ 10,189
Deposits with financial institution excluding certificates of deposit	42,218,117
Investments	<u>196,949,850</u>
Total cash and investments	<u>\$ 239,178,156</u>

The table below identifies the investment types that are authorized for the City by the Public Funds Investment Act. (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. Agency Securities	5 years	80%	None
Certificates of Deposit	3 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**CITY OF MCKINNEY, TEXAS
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Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days.

As of September 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Certificates of Deposit	\$ 15,118,051	605 days
TexPool	48,761,420	53 days
TexPool Prime	23,573,445	41 days
LOGIC	30,304,096	59 days
Texas Daily	18,172,573	47 days
Texas CLASS	35,732,176	43 days
Federal Agency Securities	19,216,823	1075 days
Municipal Securities	6,071,266	623 days
	<u>\$ 196,949,850</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of September 30, 2014, the City's investments include \$1,995,426 of federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated above). The nature of the additional risk is due to step-up features on specified dates related to the investments as well as the fact that the issuer can call the issued prior to step up date. The range of the step up is between 1.50% and 5.00%

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

**CITY OF MCKINNEY, TEXAS
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<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
Certificates of Deposit	\$ 15,118,051	AAA/AAA-m	AAA-m
TexPool	48,761,420	AAA/AAA-m	AAA-m
TexPool Prime	23,573,445	AAA/AAA-m	AAA-m
LOGIC	30,304,096	AAA/AAA-m	AAA-m
Texas Daily	18,172,573	AAA/AAA-m	AAA-m
Texas CLASS	35,732,176	AAA/AAA-m	AAA-m
Federal Agency Securities	19,216,823	AAA	AAA
Municipal Securities	6,071,266	A	A
	<u>\$ 196,949,850</u>		

Concentration of credit risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2014, investments other than external investment pools that represent 5% or more of the City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 12,227,225

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2014, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

**CITY OF MCKINNEY, TEXAS
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Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool ("Pool") which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

B. PROPERTY TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2014, were 99.98% of the adjusted tax levy.

**CITY OF MCKINNEY, TEXAS
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Allocations of property tax levy by purpose for 2014 and the preceding year are as follows (amounts per \$100 assessed value):

	2014	2013
General Fund	\$ 0.42179	\$ 0.41220
Debt Service	0.16371	0.17330
	<u>\$ 0.58550</u>	<u>\$ 0.58550</u>

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City 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.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of \$2.50, but does not prescribe a legal debt limit. The 2014 ad valorem tax rate of \$0.58550 is in compliance with the rate limitation.

C. RECEIVABLES

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds						Total
	General	Debt Service	Street Construction	Facilities Improvement	Non-Major Governmental Funds	
Receivables						
Interest	\$ 34,868	\$ 6,618	\$ 10,960	\$ 14,804	\$ 21,951	\$ 89,201
Taxes	7,260,180	325,412	-	-	370,401	7,955,993
Accounts	5,044,495	-	-	-	9,386	5,053,881
Other	-	-	-	-	884	884
Gross receivables	12,339,543	332,030	10,960	14,804	402,622	13,099,959
Less: allowance	(2,189,100)	-	-	-	-	(2,189,100)
Net total receivables	<u>\$ 10,150,443</u>	<u>\$ 332,030</u>	<u>\$ 10,960</u>	<u>\$ 14,804</u>	<u>\$ 402,622</u>	<u>\$ 10,910,859</u>

CITY OF MCKINNEY, TEXAS
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Business-Type Activities Receivables	Water		Other Enterprise
	Wastewater	Airport	Funds
Customer accounts	\$ 8,722,866	\$ 49,765	\$ 2,536,878
Other	-	-	310,421
Gross receivables	8,722,866	49,765	2,847,299
Less: allowance	(1,285,465)	-	(245,045)
Receivables, net	<u>\$ 7,437,401</u>	<u>\$ 49,765</u>	<u>\$ 2,602,254</u>
Accrued interest receivable	<u>\$ 46,618</u>	<u>\$ 14,293</u>	<u>\$ 1,988</u>

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2014. The water and wastewater fund also reported restricted interest receivable at year-end of \$41,618.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of \$289,790 in interest expenses. A promissory note in the amount of \$4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2014, is \$4,000,000.

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 24,665,023	\$ 840,881	\$ -	\$ 2,435,978	\$ 27,941,882
Construction in progress	27,474,444	30,883,485	(106,561)	(8,846,339)	49,405,029
Total capital assets, not being depreciated	52,139,467	31,724,366	(106,561)	(6,410,361)	77,346,911
Capital assets being depreciated:					
Buildings	105,246,593	81,810	(739,416)	-	104,588,987
Infrastructure	596,481,875	13,819,808	(1,215,479)	6,406,005	615,492,209
Machinery & equipment	50,789,734	3,306,986	(2,168,762)	4,356	51,932,314
Service animals	-	62,200	-	-	62,200
Total capital assets being depreciated	752,518,202	17,270,804	(4,123,657)	6,410,361	772,075,710
Less accumulated depreciation for:					
Buildings	(26,160,882)	(3,286,132)	129,479	-	(29,317,535)
Infrastructure	(271,821,776)	(26,497,183)	536,765	-	(297,782,194)
Machinery and equipment	(31,940,310)	(3,461,731)	2,005,071	-	(33,396,970)
Service animals	-	(21,255)	-	-	(21,255)
Total accumulated depreciation	(329,922,968)	(33,266,301)	2,671,315	-	(360,517,954)
Total capital assets being depreciated, net	422,595,234	(15,995,497)	(1,452,342)	6,410,361	411,557,756
Governmental activities, capital assets, net	<u>\$ 474,734,701</u>	<u>\$ 15,728,869</u>	<u>\$ (1,558,903)</u>	<u>\$ -</u>	<u>\$ 488,904,667</u>

**CITY OF MCKINNEY, TEXAS
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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 10,190,851	\$ 19,190,706	\$ -	\$ 270,208	\$ 29,651,765
Construction in progress	15,646,254	3,033,379	-	(8,450,685)	10,228,948
Total capital assets, not being depreciated	25,837,105	22,224,085	-	(8,180,477)	39,880,713
Capital assets being depreciated:					
Buildings	13,727,119	23,061,867	(81,810)	125,641	36,832,817
Infrastructure	332,673,915	71,502,893	(1,161,529)	7,697,652	410,712,931
Machinery & equipment	7,797,162	2,197,108	(321,306)	357,184	10,030,148
Total capital assets being depreciated	354,198,196	96,761,868	(1,564,645)	8,180,477	457,575,896
Less accumulated depreciation for:					
Buildings	(4,754,950)	(1,987,191)	48,107	-	(6,694,034)
Infrastructure	(67,690,735)	(21,876,776)	273,183	-	(89,294,328)
Machinery and equipment	(4,453,383)	(1,359,320)	211,647	-	(5,601,056)
Total accumulated depreciation	(76,899,068)	(25,223,287)	532,937	-	(101,589,418)
Total capital assets being depreciated, net	277,299,128	71,538,581	(1,031,708)	8,180,477	355,986,478
Business-type activities, capital assets, net	\$ 303,136,233	\$ 93,762,666	\$ (1,031,708)	\$ -	\$ 395,867,191

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,981,751
Police	1,193,105
Fire	1,616,324
Libraries	427,090
Development	229,310
Parks and recreation	2,967,271
Public works	24,851,450
Total depreciation expense governmental activities	<u>\$ 33,266,301</u>
Business-type activities:	
Water and Wastewater	\$ 7,810,066
Airport	3,919,452
Solid Waste	60,977
Surface Water Drainage	16,287
Golf Course	172,382
Total depreciation expense business-type activities	<u>\$ 11,979,164</u>

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2014. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was expenditures not spent.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	\$ 139,849,385	\$ 72,932,021	\$ 66,917,364
Water and Wastewater	31,749,190	18,884,803	12,864,387
Airport	34,105,722	25,947,884	8,157,838
Total	\$ 205,704,297	\$ 117,764,708	\$ 87,939,589

E. AIRPORT ACQUISITION

In November 2013, the management agreement with the CCADC was formally rescinded and the City purchased the hangars, office building/terminal, miscellaneous furniture and fixtures, jet fuel, and lease agreements to the hangars from various related business entities in exchange for approximately \$25 million. The City will operate and maintain the airport and account for its operations in an enterprise fund known as the McKinney National Airport.

The City implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations, which provides guidance for purchases such as the airport acquisition. The acquisition value of the net position acquired as of the acquisition date was determined to be \$17.7 million.

F. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of interfund receivables and payables balances at September 30, 2014, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	\$ 156,090	Franchise fees
Water/Wastewater Fund	Solid Waste	11,975	Sanitation accrual
General Fund	Solid Waste	28,395	Sanitation accrual
General Fund	Non-Major Governmental Funds	428,400	To cover cash shortage
	Total	\$ 624,860	

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

Transfers between funds during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Non-Major Governmental Funds	\$ 4,697,051
General Fund	Airport	585,513
Golf Fund	General Fund	5,000
Non-Major Governmental Funds	Airport	18,755,000
Surface Water Drainage	General Fund	66,181
Surface Water Drainage	Non-Major Governmental Funds	12,251
Water/Wastewater	General Fund	3,063,798
Water/Wastewater	Non-Major Governmental Funds	271,302
Water/Wastewater	Solid Waste	58,460
Airport	Debt Service Fund	400,324
Airport	Non-Major Governmental Funds	11,960
Solid Waste	General Fund	389,312
Solid Waste	Non-Major Governmental Funds	15,592
Non-Major Governmental Funds	General Fund	88,559
Non-Major Governmental Funds	Non-Major Governmental Funds	1,114
		<u>\$ 28,421,417</u>

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants program, and 4) move restricted impact fees to fund capital improvement program. The City's more significant transfers are listed below:

A transfer of \$2,818,235 was made from the general fund to the technology improvement fund to replace various equipment items.

A transfer of \$1,700,000 was made from the general fund to the fire improvement fund to fund the burn tower project.

A transfer of \$18,755,000 was made from the capital bond fund to the airport fund to transfer proceeds from the debt issued by the primary government for the airport acquisition.

A transfer of \$400,324 was made from the airport fund to the debt service fund for debt payments.

Transfers of \$2,774,291 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees which are expected to be paid from governmental activities.

Note Receivable

In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of \$800,000. In March 2011, City Council approved an increase to the existing loan of \$261,000. The balance of the note as of September 30, 2014, is \$877,318. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

G. UNAVAILABLE/UNEARNED REVENUE

Governmental funds reports *unavailable revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS, and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental and government-wide financial statements.

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Unavailable Revenue	Unearned Revenue
Tax revenue	\$ 732,570	\$ 312,273	\$ -	\$ 1,044,843	\$ -
Court revenue	1,928,240	-	-	1,928,240	-
EMS revenue	784,417	-	-	784,417	-
Franchise fees	932,866	-	-	932,866	-
Grant revenue	-	-	28,653	-	28,653
Miscellaneous	65,224	-	-	-	65,224
	<u>\$4,443,317</u>	<u>\$312,273</u>	<u>\$ 28,653</u>	<u>\$ 4,690,366</u>	<u>\$ 93,877</u>

H. LONG-TERM DEBT

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 132,770,000	\$ 29,910,000	\$ (18,435,000)	\$ 144,245,000	\$ 10,750,000
Certificates of obligation	65,835,000	16,500,000	(13,460,000)	68,875,000	2,735,000
Tax notes	-	9,960,000	(5,050,000)	4,910,000	-
	<u>198,605,000</u>	<u>56,370,000</u>	<u>(36,945,000)</u>	<u>218,030,000</u>	<u>13,485,000</u>
Issuance premium	4,808,541	3,687,285	(939,780)	7,556,046	-
Total bonds payable	<u>203,413,541</u>	<u>60,057,285</u>	<u>(37,884,780)</u>	<u>225,586,046</u>	<u>13,485,000</u>
OPEB liability	827,135	415,996	(445,184)	797,947	-
Compensated absences	7,557,317	1,303,920	(667,885)	8,193,352	764,440
Governmental activity long-term debt	<u>\$ 211,797,993</u>	<u>\$ 61,777,201</u>	<u>\$ (38,997,849)</u>	<u>\$ 234,577,345</u>	<u>\$ 14,249,440</u>
Business-type activities:					
Bonds payable:					
Water and Wastewater					
Revenue bonds	\$ 68,980,000	\$ -	\$ (4,565,000)	\$ 64,415,000	\$ 4,625,000
	<u>68,980,000</u>	<u>-</u>	<u>(4,565,000)</u>	<u>64,415,000</u>	<u>4,625,000</u>
Issuance premium	1,200,466	-	(173,030)	1,027,436	-
Total bonds payable	<u>70,180,466</u>	<u>-</u>	<u>(4,738,030)</u>	<u>65,442,436</u>	<u>4,625,000</u>
Compensated absences	594,252	181,265	(16,386)	759,131	70,828
Business-type activity long-term debt	<u>\$ 70,774,718</u>	<u>\$ 181,265</u>	<u>\$ (4,754,416)</u>	<u>\$ 66,201,567</u>	<u>\$ 4,695,828</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday, portion of sick leave, compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include \$218,030,000 of serial bonds, Certificates of Obligation, and tax notes with interest rates ranging from 0.23% to 5.50% maturing annually in varying amounts through 2035. Interest for these bonds is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes.

In October 2013, the City issued \$12,655,000 of Series 2013, Tax and Limited Pledge Airport Revenue Certificates of Obligations Taxable Bonds. The debt was issued to assist in the acquisition of the buildings, structures, and fixed based operations located at McKinney National Airport. The obligations are payable over the next 21 years.

In October 2013, the City issued \$5,050,000 of Series 2013, Tax and Limited Pledge Airport Revenue Tax Notes, scheduled to mature August 2014. The debt was issued to assist in the acquisition of the buildings, structures, and fixed based operations located at McKinney National Airport. The obligations were refunded as outlined in the next paragraph.

In July 2014, the City issued \$5,120,000 of Series 2014, General Obligation Refunding Taxable Bonds. The debt was issued to refund the Series 2013, Tax and Limited Pledge Airport Revenue Tax Notes. Net proceeds from the sale of the bonds totaled \$5,124,166. Of these proceeds, \$5,054,166 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

In July 2014, the City issued \$24,790,000 of Series 2014, General Obligation and Refunding Bonds. New debt of \$6,000,000 was issued to pay the costs of voter authorized downtown parking improvements (\$3,000,000) and parks capital improvements (\$3,000,000). The remaining debt was issued to refund portions of the City's Certificates of Obligation Bonds, Series 2005 and General Obligation Bonds, Series 2005 to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$28,800,883. Of these proceeds, \$22,566,489 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

In September 2014, the City issued \$4,910,000 of Series 2014, Tax Notes. The debt was issued to pay the costs of acquisition, installation, and improvement of information technology systems. The obligations are payable over the next 5 years.

In September 2014, the City issued \$2,795,000 of Series 2014A, Tax and Limited Pledge Hotel Occupancy Tax Revenue Certificates of Obligation Taxable Bonds. The debt was issued to pay the costs of capital project improvements at the Gateway Conference Center. The obligations are payable over the next 21 years.

In September 2014, the City issued \$1,050,000 of Series 2014B, Tax and Limited Pledge Airport Revenue Certificates of Obligations Taxable Bonds. The debt was issued to pay the costs of capital project improvements at McKinney National Airport. The obligations are payable over the next 10 years.

All refundings noted above resulted in a decrease in the City's debt service payments of \$2,929,251, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$2,512,489.

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

Debt service requirements of the general obligation bonds, certificates of obligation bonds, and tax notes for the years subsequent to September 30, 2014, are as follows:

Fiscal Year	General Obligation Bonds			Certificates of Obligation			Tax Notes			Total GO, CO, and Tax Notes Requirements
	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	
2015	\$ 10,750,000	\$ 6,155,390	\$ 16,905,390	\$ 2,735,000	\$ 2,774,938	\$ 5,509,938	\$ -	\$ 85,925	\$ 85,925	\$ 22,501,253
2016	8,835,000	5,749,671	14,584,671	3,995,000	2,685,597	6,680,597	1,190,000	98,200	1,288,200	22,553,468
2017	9,790,000	5,485,128	15,275,128	3,280,000	2,554,217	5,834,217	1,215,000	74,400	1,289,400	22,398,745
2018	10,340,000	5,117,440	15,457,440	3,060,000	2,446,290	5,506,290	1,240,000	50,100	1,290,100	22,253,830
2019	10,745,000	4,662,988	15,407,988	3,055,000	2,343,864	5,398,864	1,265,000	25,300	1,290,300	22,097,152
2020-2024	56,050,000	15,989,968	72,039,968	18,905,000	9,886,663	28,791,663	-	-	-	100,831,631
2025-2029	32,075,000	4,718,448	36,793,448	23,300,000	5,519,526	28,819,526	-	-	-	65,612,974
2030-2034	5,060,000	605,037	5,665,037	9,025,000	1,370,127	10,395,127	-	-	-	16,060,164
2035	600,000	27,760	627,760	1,520,000	68,780	1,588,780	-	-	-	2,216,540
	<u>\$144,245,000</u>	<u>\$ 48,511,830</u>	<u>\$ 192,756,830</u>	<u>\$ 68,875,000</u>	<u>\$ 29,650,002</u>	<u>\$ 98,525,002</u>	<u>\$ 4,910,000</u>	<u>\$ 333,925</u>	<u>\$ 5,243,925</u>	<u>\$ 296,525,757</u>

The City Charter does not prescribe a debt limit.

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 1.50% to 5.50%, maturing annually in varying amounts through years 2030 and interest is payable semi-annually.

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. The City is in compliance with the revenue bond debt covenants as of September 30, 2014. Remaining revenues may then be used for any lawful purpose.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2014, are as follows:

Fiscal Year	Revenue Bonds		
	Principal Requirements	Interest Requirements	Total Requirements
2015	\$ 4,625,000	\$ 2,610,162	\$ 7,235,162
2016	4,685,000	2,424,728	7,109,728
2017	4,750,000	2,235,275	6,985,275
2018	4,815,000	2,045,811	6,860,811
2019	4,885,000	1,850,810	6,735,810
2020-2024	25,610,000	6,223,802	31,833,802
2025-2029	14,615,000	1,301,197	15,916,197
2030	430,000	8,869	438,869
	<u>\$ 64,415,000</u>	<u>\$ 18,700,654</u>	<u>\$ 83,115,654</u>

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

I. RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds are as follows:

Purpose	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Operating Fund (includes customer deposits)	\$ 2,291,487	\$ -	\$ 2,291,487
Utility Capital Projects Fund	24,697,549	20,690	24,718,239
Utility Development Impact Fee	7,564,939	-	7,564,939
Revenue Debt Service Fund	7,524,143	-	7,524,143
Revenue Bond Reserve Fund	5,585,405	20,928	5,606,333
Airport Funds:			
Operating Fund (includes customer deposits)	74,358	-	74,358
Airport Construction Fund	2,362,401	14,293	2,376,694
Golf Course Fund (includes customer deposits)	10,000	-	10,000
	<u>\$ 50,110,282</u>	<u>\$ 55,911</u>	<u>\$ 50,166,193</u>

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2014, net position is sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

(4) DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

(5) PENSION PLAN

A. Plan Description

The City 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 850 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 850 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2013, valuations are contained in the 2013 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153 or visiting www.tmr.org.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of December 2013)

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2:1
A member is vested after	5 years

B. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The Entry Age Normal method was first used in the December 31, 2013 valuation. Previously, the Projected Unit Credit was used. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2013, valuation is effective for rates beginning January 2015).

C. Annual Pension Cost

Contributions by the City were \$8,228,217 or 15.28% of the covered payroll of \$53,835,323 as required by the actuarial valuation. The total fiscal year 2014 payroll was \$55,110,396.

Annual City pension cost and related information for the last three years is as follows:

<u>Actuarial Information</u>	FY2013-14	FY2012-13	FY2011-12
	12/31/13	12/31/12	12/31/11
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization method	Level %	Level %	Level %
Amortization period	30 years-closed period	25.2 years-closed period	26.2 years-closed period
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Assumptions			
Investment return	7.0%	7.0%	7.0%
projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
cost-of-living adjustment	2.1%	2.1%	2.1%
City specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid-Low/Mid	Mid-Low/Mid	Mid-Low/Mid
<u>Schedule of Funding Information</u>	FY2013-14	FY2012-13	FY2011-12
	12/31/13	12/31/12	12/31/11
Actuarial valuation date			
Actuarial Value of Assets	\$ 149,974,650	\$ 134,332,842	\$ 119,057,419
Actuarial Accrued Liability	\$ 189,339,393	\$ 169,233,811	\$ 156,549,456
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 39,364,743	\$ 34,900,969	\$ 37,492,037
Funded ratio	79.2%	79.4%	76.1%
Annual Covered Payroll	\$ 50,864,493	\$ 47,463,682	\$ 47,490,291
UAAL as a Percentage of Covered Payroll	77.4%	73.5%	78.9%

The City's net pension obligation (NPO) for TMRS at December 31, 2014, 2013, and 2012, is calculated as follows:

	FY2013-14	FY2012-13	FY2011-12
	12/31/13	12/31/12	12/31/11
Actuarial valuation date:			
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost (APC):			
Annual required contribution (ARC)	8,228,217	7,194,732	6,412,123
Contributions Made	(8,228,217)	(7,194,732)	(6,412,123)
NPO, end of the year	\$ -	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

In 2013, TMRS adopted actuarial changes first reflected in the December 31, 2013, actuarial valuation. The adopted impact included changes to the post-retirement mortality assumptions, a change to the Entry Age Normal actuarial cost method from the Projected Unit Credit actuarial cost method, and a change in amortization policy.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefit Fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2014, 2013, and 2012, were \$68,697, \$59,771, and \$61,011, respectively, which equaled the required contributions each year.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

(6) OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The City provides post-employment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The two optional benefit levels, CityCare PPO and CityCare Plus PPO, are the same for retirees as those afforded to active employees.

As of September 30, 2014, membership consisted of:

Retirees and beneficiaries receiving benefits	23
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	<u>793</u>
Total	<u><u>816</u></u>

B. Benefits Provided

To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and
2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than thirty-one (31) days from his/her termination of employment; and
3. Enrolls for Retiree health coverage within thirty-one (31) days of the date employee coverage ends;

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees age sixty-five (65) and older are not eligible to remain on the Plan.

C. Accounting Policies

An irrevocable trust has not been established; therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Funding Policy

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees.

CITY OF MCKINNEY, TEXAS
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The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

<u>CITYCARE PPO</u>		<u>CITYCARE PLUS PPO</u>	
Single Coverage	\$ 503	Single Coverage	\$ 558
Single + Spouse	\$ 1,029	Single + Spouse	\$ 1,234
Single + Children	\$ 908	Single + Children	\$ 1,079
Single + Family	\$ 1,295	Single + Family	\$ 1,543

E. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over an open period of thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2014:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual required contribution	\$ 415,996	\$ 415,996	\$ 411,782
Interest on prior year Net OPEB obligation	37,221	26,127	19,287
Adjustment to annual required contribution	<u>(52,064)</u>	<u>(26,127)</u>	<u>(19,287)</u>
Annual OPEB cost	401,153	415,996	411,782
Contributions made	<u>430,341</u>	<u>169,470</u>	<u>259,762</u>
Increase(decrease) in net OPEB obligation	(29,188)	246,526	152,020
Net Obligation - beginning of year	<u>827,135</u>	<u>580,609</u>	<u>428,589</u>
Net Obligation - end of year	<u>\$ 797,947</u>	<u>\$ 827,135</u>	<u>\$ 580,609</u>
Percentage of OPEB costs contributed	107.28%	40.74%	63.08%

Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of December 31, 2012, was as follows:

Actuarial accrued liability	\$ 3,284,588
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 3,284,588</u>
Funded ratio	0.0%
Covered payroll	50,864,493
Unfunded actuarial accrued liability as a percentage of covered payroll	6.46%

Although not considered contributions under GASB 45, the City has assigned \$2,026,617 of fund balance in the General Fund for funding of the OPEB liability.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

F. Actuarial Methods and Assumptions

Projections of benefits are based on substantive plan (the plan understood by the employer and plan members) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the City and the plan members at that point. The actuarial methods and assumptions use include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. The rate of inflation is assumed to be 3%.

(7) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2014, were \$18,563,554.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2014, was \$12,946,782.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2014, was \$4,138,964.

(8) LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

(9) CONTINGENT LIABILITIES

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

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NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have pledged (guaranteed) to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems. Outstanding principal balances as of September 30, 2014, are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	\$ 1,127,395,000	\$ 121,871,400
Wastewater System	286,230,000	62,250,544
Solid Waste System	38,040,000	8,584,106
Total	\$ 1,451,665,000	\$ 192,706,050

*Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

(10) INSURANCE AND RISK MANAGEMENT

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (the "Plan"). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess ("stop loss") insurance policy covering individual claims in excess of \$150,000. The City utilizes the Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2014, the City and the City's employees' contributions paid under the Plan were \$11,469,739 and \$2,272,373 respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool ("TMLIRP") for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The General Fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of \$100,000 per accident, with an annual aggregate retention of \$500,000. During 2014, the City contributed \$110,123 for workers' compensation coverage.

The City maintains a deductible of \$25,000 per occurrence for property, \$10,000 for the Airport, and \$50,000 for all liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. During 2014, the City contributed \$474,817 for property and general liability coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.

The changes in the Insurance and Risk Management liability amount in fiscal 2014 and 2013 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year	Due Within One Year
2014:					
Health Claims	\$ 696,806	\$ 9,876,117	\$ (9,959,462)	\$ 613,461	\$ 613,461
Workers' Comp	310,644	568,828	(628,180)	251,292	251,292
Totals	<u>\$ 1,007,450</u>	<u>\$ 10,444,945</u>	<u>\$ (10,587,642)</u>	<u>\$ 864,753</u>	<u>\$ 864,753</u>
2013:					
Health Claims	\$ 992,131	\$ 10,507,104	\$ (10,802,429)	\$ 696,806	\$ 696,806
Workers' Comp	291,484	746,116	(726,956)	310,644	310,644
Totals	<u>\$ 1,283,615</u>	<u>\$ 11,253,220</u>	<u>\$ (11,529,385)</u>	<u>\$ 1,007,450</u>	<u>\$ 1,007,450</u>

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

(11) MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, MEDC is a discretely presented component unit on the combined financial statements. The MEDC is financed with a voter approved half-cent city sales tax, to aid, promote and further the economic development within the City. Under a contract between the MEDC and the City, the City provides financial services for the MEDC.

A. Deposits and investments

Cash and investments as of September 30, 2014, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 16,011,666
Restricted cash and cash equivalents	<u>1,590,864</u>
Total cash and investments	<u>\$ 17,602,530</u>
Cash on hand	\$ 200
Deposits with financial institution	1,991,967
Investments	<u>15,610,363</u>
Total cash and investments	<u>\$ 17,602,530</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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The table below identifies the investment types that are authorized for MEDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MEDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. Agencies Securities	5 years	80%	None
Certificates of Deposits	3 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MEDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MEDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MEDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

MEDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2014, MEDC had the following investments:

Investment Type	Amount	Weighted Average Maturity
LOGIC	\$ 4,506,821	59 days
TexPool	1,503,808	53 days
TexPool Prime	1,503,553	41 days
Texas Daily	4,507,696	47 days
Texas CLASS	3,588,485	43 days
	<u>\$ 15,610,363</u>	

As of September 30, 2014, MEDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MEDC's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	\$ 4,506,821	AAA/AAA-m	AAA-m
TexPool	1,503,808	AAA/AAA-m	AAA-m
TexPool Prime	1,503,553	AAA/AAA-m	AAA-m
Texas Daily	4,507,696	AAA/AAA-m	AAA-m
Texas CLASS	3,588,485	AAA/AAA-m	AAA-m
	<u>\$ 15,610,363</u>		

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MEDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2014, MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. Receivables

At September 30, 2014, accounts and notes receivable on the Statement of Net Position represents amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporation's the City has elected to expense the advance at the time of transfer.

At September 30, 2014, accounts receivable includes \$1,788,400 representing sales tax owed to MEDC, accrued interest of \$954, and other receivables of \$500,490. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2014.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Adjustments	Beginning Balance as Restated	Increases	Decreases	Ending Balance
Component unit activities:						
Capital assets, not being depreciated:						
Land	\$ 23,327,476	\$ (7,177,240)	\$ 16,150,236	\$ -	\$ (1,178,097)	\$ 14,972,139
Total capital assets, not being depreciated	23,327,476	(7,177,240)	16,150,236	-	(1,178,097)	14,972,139
Capital assets, being depreciated:						
Leasehold improvement	25,434	-	25,434	-	(25,434)	-
Improvements other than buildings	257,783	-	257,783	-	-	257,783
Machinery and equipment	35,175	-	35,175	-	(6,944)	28,231
Total capital assets being depreciated	318,392	-	318,392	-	(32,378)	286,014
Less accumulated depreciation for:						
Leasehold improvement	(23,416)	-	(23,416)	(842)	24,258	-
Improvements other than buildings	(194,410)	-	(194,410)	(12,889)	-	(207,299)
Machinery and equipment	(26,143)	-	(26,143)	(5,265)	6,944	(24,464)
Total accumulated depreciation	(243,969)	-	(243,969)	(18,996)	31,202	(231,763)
Total capital assets, being depreciated, net	74,423	-	74,423	(18,996)	(1,176)	54,251
Component unit activities, capital assets, net	\$ 23,401,899	\$ (7,177,240)	\$ 16,224,659	\$ (18,996)	\$ (1,179,273)	\$ 15,026,390

D. LONG-TERM DEBT

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit activities:					
Bonds payable					
Sales tax revenue bonds	\$ 14,640,000	\$ -	\$ (945,000)	\$ 13,695,000	\$ 975,000
Note payable to primary government	5,465,000	-	(1,465,000)	4,000,000	784,159
Compensated absences	44,315	15,223	(2,036)	57,502	5,365
Component unit activities					
Long-term debt	\$ 20,149,315	\$ 15,223	\$ (2,412,036)	\$ 17,752,502	\$ 1,764,524

Bonds Payable consisted of the following as of September 30, 2014:

	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
<u>Bonds Payable:</u>				
Sales Tax Revenue Bonds 2011	2/1/2011	4-5.6%	9/1/2025	\$ 8,040,000
Sales Tax Revenue Bonds, Taxable 2011	2/1/2011	2.5-4.38%	9/1/2025	5,655,000
Total bonds payable				<u>\$ 13,695,000</u>

**CITY OF MCKINNEY, TEXAS
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Debt service requirements of the notes payable applicable to the Sales Tax Revenue 2011 and Sales Tax 2011, Taxable bonds for the years subsequent to September 30, 2014, are as follows:

Fiscal Year	Sales Tax Revenue 2011 Bonds			Sales Tax Revenue 2011 Taxable Bonds		
	Principal Requirements	Interest Requirements	Total	Principal Requirements	Interest Requirements	Total
2015	\$ 555,000	\$ 386,965	\$ 941,965	\$ 420,000	\$ 210,613	\$ 630,613
2016	575,000	364,765	939,765	435,000	198,013	633,013
2017	605,000	341,765	946,765	450,000	184,962	634,962
2018	635,000	317,565	952,565	470,000	171,462	641,462
2019	665,000	291,213	956,213	490,000	157,363	647,363
2020-2024	4,035,000	936,810	4,971,810	2,755,000	490,344	3,245,344
2025	970,000	54,320	1,024,320	635,000	27,781	662,781
	<u>\$ 8,040,000</u>	<u>\$ 2,693,403</u>	<u>\$ 10,733,403</u>	<u>\$ 5,655,000</u>	<u>\$ 1,440,538</u>	<u>\$ 7,095,538</u>

E. NOTES PAYABLE TO PRIMARY GOVERNMENT AND OTHER ENTITIES

Notes Payable to Primary Government consisted of the following as of September 30, 2014:

<u>Notes Payable (related to):</u>	<u>Amount Outstanding</u>
Tax Exempt 2002 Bonds	<u>\$ 4,000,000</u>
	<u>\$ 4,000,000</u>

In February of 2009, the MEDC negotiated a loan from the City of McKinney. Proceeds were used to redeem their 2002 Tax-Exempt and Taxable revenue bonds achieving a savings of \$587,685 in interest expenses. Two promissory notes, in the amount of \$4,000,000 for the Tax-Exempt 2002 bonds, and \$7,070,000 for the Taxable 2002 bonds, were executed on February 27, 2009. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2014, is \$4,000,000.

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2014, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2015	784,159	40,000	824,159
2016	792,001	32,158	824,159
2017	799,921	24,238	824,159
2018	807,920	16,239	824,159
2019	815,999	8,160	824,159
	<u>\$ 4,000,000</u>	<u>\$ 120,795</u>	<u>\$ 4,120,795</u>

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

(12) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, MCDC is a discretely presented component unit on the combined financial statements. In January 1996, the citizens of McKinney elected to adopt an additional half-cent sales tax in accordance with Sec. 4B Art. 5190.6 of Vernon's Texas Civil Statutes. This revenue source will be used to fund various public facilities and infrastructure including but not limited to parks, cultural and civic facilities, sports facilities, and historic preservation and tourism facilities. Under a contract between the MCDC and the City, the City provides financial services for the MCDC.

A. DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2014, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 27,522,968
Investments	2,980,887
Total cash and investments	<u>\$ 30,503,855</u>
Cash on hand	\$ 200
Deposits with financial institution	1,804,845
Investments	28,698,810
Total cash and investments	<u>\$ 30,503,855</u>

The table below identifies the investment types that are authorized for MCDC by the Public Funds Investment Act (Government Code Chapter 2256). The table also identifies certain provisions of MCDC's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. Agencies Securities	5 years	80%	None
Certificates of Deposits	3 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MCDC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCDC is in substantial compliance with the requirements of the Act and with local policies.

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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According to the City's investment policy MCDC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2014, MCDC had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 7,629,455	53 days
TexPool Prime	4,503,907	41 days
LOGIC	3,537,589	59 days
Texas Daily	8,009,605	47 days
Texas CLASS	2,037,367	43 days
Federal Agency Securities	2,980,887	1308 days
	<u>\$ 28,698,810</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of September 30, 2014, MCDC investments include \$2,980,887 of federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated above). The nature of the additional risk is due to step-up features on specified dates related to the investments as well as the fact that the issuer can call the issued prior to step up date. The range of the step up is between 0.55% and 2.25%

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MCDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 7,629,455	AAA/AAA-m	AAA-m
TexPool Prime	4,503,907	AAA/AAA-m	AAA-m
LOGIC	3,537,589	AAA/AAA-m	AAA-m
Texas Daily	8,009,605	AAA/AAA-m	AAA-m
Texas CLASS	2,037,367	AAA	AAA
Federal Agency Securities	2,980,887	AAA	AAA
	<u>\$ 28,698,810</u>		

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Public Funds Investment Act and the MCDC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2014, MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. RECEIVABLES

At September 30, 2014, accounts receivable include \$1,788,400 representing sales tax owed to MCDC and accrued interest of \$7,939. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2014.

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit activities				
Capital Assets, not being depreciated:				
Land	\$ 4,970,062	\$ -	\$ -	\$ 4,970,062
Total capital assets, not being depreciated	<u>4,970,062</u>	<u>-</u>	<u>-</u>	<u>4,970,062</u>
Capital assets, being depreciated:				
Infrastructure	2,823,107	-	-	2,823,107
Total capital assets, being depreciated	<u>2,823,107</u>	<u>-</u>	<u>-</u>	<u>2,823,107</u>
Less accumulated depreciation for:				
Infrastructure	<u>(259,735)</u>	<u>(141,883)</u>	-	<u>(401,618)</u>
Total accumulated depreciation	<u>(259,735)</u>	<u>(141,883)</u>	<u>-</u>	<u>(401,618)</u>
Total capital assets, being depreciated, net	<u>2,563,372</u>	<u>(141,883)</u>	<u>-</u>	<u>2,421,489</u>
Component unit activities, capital assets, net	<u>\$ 7,533,434</u>	<u>\$ (141,883)</u>	<u>\$ -</u>	<u>\$ 7,391,551</u>

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

(13) COLLIN COUNTY AIRPORT DEVELOPMENT CORPORATION

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, Collin County Airport Development Corporation (CCADC) is a discretely presented component unit on the combined financial statements. The purpose of the CCADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. Under a contract with the CCADC, the City performs financial services for the CCADC.

In November 2013, the management agreement with the CCADC was formally rescinded and the assets of the CCADC were contributed to the City in the McKinney National Airport enterprise fund. The CCADC board (now known as the McKinney Airport Development Corporation) continues to exist as a City appointed advisory entity to McKinney National Airport. The one month of operating activity of the CCADC was not considered significant at the time of the transition; therefore, the City recorded all operating activity for fiscal year 2014 in the Airport Fund. At September 30, 2014, there were no assets or liabilities held by the CCADC.

Also in November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixtures, and fixed base operations (FBO) from various related business entities at McKinney National Airport.

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 19,190,706	\$ -	\$ (19,190,706)	\$ -	\$ -
Construction in progress	169,151	-	(169,151)	-	-
Total capital assets, not being depreciated	<u>19,359,857</u>	<u>-</u>	<u>(19,359,857)</u>	<u>-</u>	<u>-</u>
Capital assets being depreciated:					
Buildings	4,903,404	-	(4,903,404)	-	-
Infrastructure	59,694,190	-	(59,694,190)	-	-
Machinery & equipment	576,676	-	(576,676)	-	-
Total capital assets being depreciated	<u>65,174,270</u>	<u>-</u>	<u>(65,174,270)</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation for:					
Buildings	(762,606)	-	762,606	-	-
Infrastructure	(12,108,242)	-	12,108,242	-	-
Machinery and equipment	(397,352)	-	397,352	-	-
Total accumulated depreciation	<u>(13,268,200)</u>	<u>-</u>	<u>13,268,200</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>51,906,070</u>	<u>-</u>	<u>(51,906,070)</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 71,265,927</u>	<u>\$ -</u>	<u>\$ (71,265,927)</u>	<u>\$ -</u>	<u>\$ -</u>

(14) MCKINNEY MAIN STREET

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, McKinney Main Street (MMS) is a discretely presented component unit on the combined financial statements. The purpose of MMS is to promote McKinney's vibrant downtown area. MMS financial services are decentralized from the City.

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

A. DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2014, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 394,269
Total cash and investments	<u>\$ 394,269</u>

Deposits with financial institution	\$ 394,269
Total cash and investments	<u>\$ 394,269</u>

The table below identifies the investment types that are authorized for MMS by the Public Funds Investment Act (Government code Chapter 2256). The table also identifies certain provisions of MMS's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. Agencies Securities	5 years	80%	None
Certificates of Deposits	3 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MMS to have independent auditors perform test procedures related to investment practices as provided by the Act. The MMS is in substantial compliance with the requirements of the Act and with local policies.

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MMS manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MMS monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2014, MMS had no investments.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**CITY OF MCKINNEY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2014**

Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, MMS's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MMS's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2014, MMS deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

B. RECEIVABLES

At September 30, 2014, accounts receivable include \$183,200 for services provided. Receivables as of year-end for MMS were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2014.

(15) MCKINNEY CONVENTION & VISITORS BUREAU

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, the McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit on the combined financial statements. The purpose of the MCVB is to promote tourism and make McKinney a destination of choice. Under a contract with the MCVB, the City performs financial services for the MCVB.

A. DEPOSITS AND INVESTMENTS

Cash and investments as of September 30, 2014, consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 372,632
Total cash and investments	<u>\$ 372,632</u>
Deposits with financial institution	\$ 372,632
Total cash and investments	<u>\$ 372,632</u>

**CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014**

The table below identifies the investment types that are authorized for MCVB by the Public Funds Investment Act (Government code Chapter 2256). The table also identifies certain provisions of MCVB's investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. Agencies Securities	5 years	80%	None
Certificates of Deposits	3 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

The Act also requires MCVB to have independent auditors perform test procedures related to investment practices as provided by the Act. The MCVB is in substantial compliance with the requirements of the Act and with local policies.

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. According to the City's investment policy MCVB manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. MCVB monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2014, MCVB had \$0 investments.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the MCVB's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

**CITY OF MCKINNEY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2014**

As of September 30, 2014, MCVB deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

(16) SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2014, and up through January 29, 2015, the date the financial statements were issued.

In October 2014, the City was ordered to pay a developer approximately \$9 million in damages. The City has accrued for the contingent liability as of September 30, 2014. It is the City's intention to appeal the ruling.

(17) RESTATEMENT OF BEGINNING NET POSITION

In August 2012, the McKinney Economic Development Corporation (MEDC) transferred 12.16 acres of land to a corporation as part of a 380 agreement to relocate the corporation's facility to the City of McKinney. This land was included in capital assets as of September 30, 2013. The correction of these errors resulted in a \$7,177,240 decrease in beginning discretely presented component units' net position.

In fiscal year 2014, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The Statement was issued to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.

GASB concluded that debt issuance costs should be recognized as an outflow of resources in the reporting period in which they are incurred.

GASB also concluded that refunding debt gain/loss, the difference resulting from a current refunding, or an advance refunding, relates to future periods, and meets the definition of a deferred outflow of resources or a deferred inflow of resources, as applicable.

Loss on refunding debt was previously presented as noncurrent liabilities in statement of net position. Beginning in fiscal year 2014, loss on refunding debt is presented as deferred charges on refunding under deferred outflows of resources in statement of net position. There is no effect on beginning net positions of Governmental Activities and Business-Type Activities with this change.

MEDC's net position has been restated as follows:

	McKinney Economic Dev. Corporation
Net assets, October 1, 2013, as previously presented	\$ 17,617,562
To correct capital asset balances	(7,177,240)
Adjustment of deferred charges	(116,998)
Net assets, October 1, 2013, as restated	<u>\$ 10,323,324</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2014

The effect of the change on beginning net positions of Governmental Activities, Business-Type Activities, and Component Units for the error and change in accounting principle are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>
Net assets, October 1, 2013, as previously presented	\$ 404,230,461	\$ 324,796,213	\$ 134,842,030
To correct capital asset balances	-	-	(7,177,240)
Adjustment of deferred charges	<u>(875,837)</u>	<u>(551,579)</u>	<u>(116,998)</u>
Net assets, October 1, 2013, as restated	<u>\$ 403,354,624</u>	<u>\$ 324,244,634</u>	<u>\$ 127,547,792</u>



**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
(UNAUDITED)**

Fiscal Year *	(1) Actuarial Value ** Of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2005	40,571,864	52,013,606	78.0%	11,441,742	27,581,781	41.5%
2006	46,461,949	59,291,581	78.4%	12,829,632	30,018,370	42.7%
2007	52,581,114	67,858,166	77.5%	15,277,052	37,270,216	41.0%
2008	60,301,582	94,242,619	64.0%	33,941,037	42,109,757	80.6%
2009	66,901,198	104,411,186	64.1%	37,509,988	47,208,569	79.5%
2010	77,363,412	116,653,084	66.3%	39,289,672	48,030,872	81.8%
2011	105,262,299	145,078,402	72.6%	39,816,103	48,533,150	82.0%
2012	119,057,419	156,549,456	76.1%	37,492,037	47,490,291	78.9%
2013	134,332,842	169,233,811	79.4%	34,900,969	47,463,682	73.5%
2014	149,974,650	189,339,393	79.2%	39,364,743	50,864,493	77.4%

* As of December 31, of the preceding year, the date of the actuarial valuation.

** Information is from appropriate year supplements to TMRS annual reports.

See accompanying independent auditor's report.

**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF MCKINNEY EMPLOYEES OTHER POST EMPLOYMENT BENEFITS PLAN
ANALYSIS OF FUNDING PROGRESS
(UNAUDITED)**

Fiscal Year *	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
2007	N/A	N/A	N/A	N/A	N/A	N/A
2008	-	\$ 1,186,584	0.0%	\$ 1,186,584	\$ 42,109,757	2.8%
2009	-	1,186,584	0.0%	1,186,584	47,208,569	2.5%
2010	-	1,186,584	0.0%	1,186,584	48,030,872	2.5%
2011	-	3,102,107	0.0%	3,102,107	48,533,150	6.4%
2012	-	3,102,107	0.0%	3,102,107	47,490,291	6.5%
2013	-	3,284,588	0.0%	3,284,588	47,463,682	6.9%
2014	-	3,284,588	0.0%	3,284,588	50,864,493	6.5%

* As of March 31, of the fiscal year, the date of the actuarial valuation.

See accompanying independent auditor's report.



**COMBINING AND
INDIVIDUAL FUND
FINANCIAL STATEMENTS
AND SCHEDULES**

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive (Negative)</u>
REVENUES				
Property taxes	\$ 19,434,258	\$ 19,434,258	\$ 19,549,268	\$ 115,010
Charges for service	528,000	528,000	528,000	-
Investment income	15,214	10,792	9,633	(1,159)
Total revenues	19,977,472	19,973,050	20,086,901	113,851
EXPENDITURES				
Principal retirement	10,810,000	10,810,000	10,810,000	-
Interest and fiscal charges	8,627,296	9,007,126	9,304,662	(297,536)
Total expenditures	19,437,296	19,817,126	20,114,662	(297,536)
Excess/(deficiency) of revenues over expenditures	540,176	155,924	(27,761)	(183,685)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	23,910,000	23,910,000
Deposit to escrow account	-	-	(27,119,524)	(27,119,524)
Premium on issuance of debt	-	-	3,513,918	3,513,918
Transfers in	-	457,106	400,324	(56,782)
Total other financing sources (uses)	-	457,106	704,718	247,612
Net changes in fund balances	540,176	613,030	676,957	63,927
Fund balances, beginning of year	2,240,054	2,240,054	2,240,054	-
Fund balances, end of year	<u>\$ 2,780,230</u>	<u>\$ 2,853,084</u>	<u>\$ 2,917,011</u>	<u>\$ 63,927</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 STREET CONSTRUCTION FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 8,732,894	\$ 11,895,733	\$ 3,556,530	\$ (8,339,203)
Investment income	51,193	76,617	62,066	14,551.00
Contributions	3,500,000	3,544,087	3,140,457	(403,630)
Miscellaneous	-	13,871	-	(13,871)
Total revenues	<u>12,284,087</u>	<u>15,530,308</u>	<u>6,759,053</u>	<u>(8,742,153)</u>
EXPENDITURES				
Public works	<u>23,098,618</u>	<u>33,444,267</u>	<u>9,234,987</u>	<u>24,209,280</u>
Total expenditures	<u>23,098,618</u>	<u>33,444,267</u>	<u>9,234,987</u>	<u>24,209,280</u>
Excess/(deficiency) of revenues over expenditures	<u>(10,814,531)</u>	<u>(17,913,959)</u>	<u>(2,475,934)</u>	<u>15,467,127</u>
Net changes in fund balances	(10,814,531)	(17,913,959)	(2,475,934)	15,438,025
Fund balances, beginning of year	<u>33,107,139</u>	<u>33,107,139</u>	<u>33,107,139</u>	<u>-</u>
Fund balances, end of year	<u>\$ 22,292,608</u>	<u>\$ 15,193,180</u>	<u>\$ 30,631,205</u>	<u>\$ 15,438,025</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
 FACILITIES IMPROVEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 24,172	\$ 15,399	\$ 15,666	\$ 267
Contributions	-	6,711,115	6,711,115	-
Total revenues	<u>24,172</u>	<u>6,726,514</u>	<u>6,726,781</u>	<u>267</u>
EXPENDITURES				
Current Expenditures:				
General government	411,931	168,705	260,676	(91,971)
Development	-	31,018,875	18,014,091	13,004,784
Total expenditures	<u>411,931</u>	<u>31,187,580</u>	<u>18,274,767</u>	<u>12,912,813</u>
Excess (deficiency) of revenues over expenditures	<u>(387,759)</u>	<u>(24,461,066)</u>	<u>(11,547,986)</u>	<u>12,913,080</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	5,736,000	5,795,000	59,000
Total other financing sources (uses)	<u>-</u>	<u>5,736,000</u>	<u>5,795,000</u>	<u>59,000</u>
Net change in fund balances	(387,759)	(18,725,066)	(5,752,986)	12,972,080
Fund balances, beginning of year	19,182,581	19,182,581	19,182,581	-
Fund balances, end of year	<u>\$ 18,794,822</u>	<u>\$ 457,515</u>	<u>\$ 13,429,595</u>	<u>\$ 12,972,080</u>

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/MOTEL FUND -to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

LAW ENFORCEMENT FUND - to account for donations and funds derived from police investigation of criminal activities.

FIRE DONATIONS FUND – to account for funds provided by private donors to assist in the purchase of fire department equipment and related expenses.

LIBRARY GIFT FUND - to account for county contributions and funds provided by private donors for the purpose of supporting library operations.

COMMUNITY HOUSING FUND - to account for grants and funding received for affordable housing programs.

GRANTS FUND – to account for local, state, federal, and private grants received for governmental operations and projects.

VETERANS MEMORIAL FUND – to account for funds provided by private donors for the purpose of maintaining facilities and supporting special events at the Veterans Memorial Park.

TAX INCREMENT REINVESTMENT ZONE 1 (TIRZ 1) – to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

TAX INCREMENT REINVESTMENT ZONE 2 (TIRZ 2) – to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure to the Airport.



NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

CAPITAL PROJECTS FUNDS

TECHNOLOGY IMPROVEMENT FUND – to account for technology infrastructure improvements and computer hardware/software needs. Inter-fund charges through cost allocation provide revenue sources to this fund.

FIRE IMPROVEMENT FUND - to account for land acquisition, construction, renovation, and equipping of fire facilities. Proceeds from bonds and other non-recurring revenue sources are allocated to this fund.

PARK CONSTRUCTION FUND - to account for land acquisition, construction, renovation, and equipping of parks and recreation facilities. Proceeds from bonds, grants, and other non-recurring revenue sources are allocated to this fund.

LIBRARY IMPROVEMENT FUND – to account for land acquisition, construction, renovation, and equipping of library facilities. Proceeds from bonds and other non-recurring revenue sources are allocated to this fund.

STORMWATER CONSTRUCTION FUND – to account for the construction of drainage related improvements. Proceeds from bonds, grants, and other non-recurring revenue sources are allocated to this fund.

CAPITAL BOND FUND – to account for bond proceeds otherwise used to finance capital improvements and acquisitions in the enterprise funds. Funds for allocated projects and acquisitions are transferred to the appropriate funds. Unallocated funds will accumulate in this fund. Proceeds from the sale of general obligation bonds provide financing.

**CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

Special Revenue									
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1	TIRZ 2
ASSETS									
Cash and cash equivalents	\$ 575,626	\$ 921,941	\$ 40,567	\$ 247,901	\$ 117,024	\$ 337,750	\$ 15,412	\$ 2,100,517	\$ 1,248,913
Receivables:									
Accounts	9,384	-	-	-	2	-	-	-	-
Other taxes	194,676	-	-	-	-	-	-	113,703	62,022
Accrued interest	-	-	-	-	-	-	-	-	-
Other receivable	-	-	-	884	-	-	-	-	-
Due from other governments	-	-	-	-	197,858	72,713	-	-	-
Prepaid items	-	2,750	-	4,000	1,159	-	-	-	-
Total assets	\$ 779,686	\$ 924,691	\$ 40,567	\$ 252,785	\$ 316,043	\$ 410,463	\$ 15,412	\$ 2,214,220	\$ 1,310,935
LIABILITIES									
Accounts payable	\$ -	\$ 2,733	\$ -	\$ 155	\$ 14,797	\$ 32,746	\$ -	\$ -	\$ -
Other accrued liabilities	-	63,752	-	-	41,470	-	-	-	-
Due to other funds	-	-	-	-	173,000	-	-	-	-
Unearned revenue	-	-	-	-	-	28,653	-	-	-
Total liabilities	-	66,485	-	155	229,267	61,399	-	-	-
FUND BALANCES									
NonSpendable									
Prepaid items	-	2,750	-	4,000	1,159	-	-	-	-
Restricted									
Capital Projects	-	-	-	-	-	-	-	2,214,220	1,310,935
Law Enforcement	-	855,456	-	-	-	-	-	-	-
Fire	-	-	40,567	-	-	-	-	-	-
Library	-	-	-	248,630	-	-	-	-	-
Community Housing	-	-	-	-	85,617	-	-	-	-
Hotel/Motel	779,686	-	-	-	-	-	-	-	-
Veterans Memorial Park	-	-	-	-	-	-	15,412	-	-
Grants	-	-	-	-	-	349,064	-	-	-
Total fund balances	779,686	858,206	40,567	252,630	86,776	349,064	15,412	2,214,220	1,310,935
Total liabilities and fund balances	\$ 779,686	\$ 924,691	\$ 40,567	\$ 252,785	\$ 316,043	\$ 410,463	\$ 15,412	\$ 2,214,220	\$ 1,310,935

Capital Projects

Technology Improvement	Fire Improvement	Park Construction	Library Improvement	Stormwater Construction	Capital Bond Fund	Total Nonmajor Governmental Funds
\$ 8,395,615	\$ 2,209,343	\$ 19,987,813	\$ 311,850	\$ 2,786,185	\$ -	\$ 39,296,457
-	-	-	-	-	-	9,386
-	-	-	-	-	-	370,401
21,951	-	-	-	-	-	21,951
-	-	-	-	-	-	884
-	-	-	-	-	-	270,571
11,908	-	-	-	-	-	19,817
\$ 8,429,474	\$ 2,209,343	\$ 19,987,813	\$ 311,850	\$ 2,786,185	\$ -	\$ 39,989,467
\$ 38,358	\$ -	\$ 576,781	\$ -	\$ 31,450	\$ -	\$ 697,020
-	-	-	-	5,790	-	111,012
-	-	-	-	-	-	173,000
-	-	-	-	-	-	28,653
38,358	-	576,781	-	37,240	-	1,009,685
11,908	-	-	-	-	-	19,817
8,379,208	2,209,343	19,411,032	311,850	2,748,945	-	36,585,533
-	-	-	-	-	-	855,456
-	-	-	-	-	-	40,567
-	-	-	-	-	-	248,630
-	-	-	-	-	-	85,617
-	-	-	-	-	-	779,686
-	-	-	-	-	-	15,412
-	-	-	-	-	-	349,064
8,391,116	2,209,343	19,411,032	311,850	2,748,945	-	38,979,782
\$ 8,429,474	\$ 2,209,343	\$ 19,987,813	\$ 311,850	\$ 2,786,185	\$ -	\$ 39,989,467

**CITY OF MCKINNEY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue								
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1	TIRZ 2
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446,956	\$ 80,510
Sales and use taxes	803,220	-	-	-	-	-	-	1,037,166	412,991
Intergovernmental	-	-	-	-	750,510	487,561	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	299,969	-	-	-	-	-	-	-
Investment income	3,148	510	45	293	133	-	17	1,382	1,126
Contributions	-	19,510	13,050	34,472	-	34	3,000	-	-
Miscellaneous	6,492	-	-	4,903	25,381	-	-	-	-
Total revenues	812,860	319,989	13,095	39,668	776,024	487,595	3,017	1,485,504	494,627
EXPENDITURES									
Current:									
General government	-	-	-	-	-	-	-	500,000	-
Police	-	136,807	-	-	-	56,233	-	-	-
Fire	-	-	8,192	-	-	109,892	-	-	-
Libraries	-	-	-	12,204	-	-	-	-	-
Development	485,000	-	-	-	849,230	311,806	-	-	-
Parks and recreation	-	-	-	-	-	-	3,714	-	-
Capital Expenditures:									
General government	-	-	-	-	-	-	-	-	-
Police	-	101,089	-	-	-	66,983	-	-	-
Fire	-	-	-	-	-	9,796	-	-	-
Libraries	-	-	-	17,443	-	-	-	-	-
Development	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Total expenditures	485,000	237,896	8,192	29,647	849,230	554,710	3,714	500,000	-
Excess (deficiency) of revenues over expenditures	327,860	82,093	4,903	10,021	(73,206)	(67,115)	(697)	985,504	494,627
OTHER FINANCING SOURCES (USES)									
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-	-	-
Transfers in	-	5,000	-	-	83,000	80,236	-	-	-
Transfers out	(61,630)	-	-	-	(13,043)	-	-	(10,500)	(4,500)
Total other financing sources (uses):	(61,630)	5,000	-	-	69,957	80,236	-	(10,500)	(4,500)
Net change in fund balances	266,230	87,093	4,903	10,021	(3,249)	13,121	(697)	975,004	490,127
Fund balances, beginning of year	513,456	771,113	35,664	242,609	90,025	335,943	16,109	1,239,216	820,808
Fund balances, end of year	\$ 779,686	\$ 858,206	\$ 40,567	\$ 252,630	\$ 86,776	\$ 349,064	\$ 15,412	\$ 2,214,220	\$ 1,310,935

Capital Projects						Total
Technology Improvement	Fire Improvement	Park Construction	Library Improvement	Stormwater Construction	Capital Bond Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 527,466
-	-	-	-	-	-	2,253,377
-	-	71,670	-	-	-	1,309,741
2,199	-	-	-	-	-	2,199
-	-	-	-	-	-	299,969
1,618	1,325	59,400	386	2,322	-	71,705
-	-	1,488,069	-	-	-	1,558,135
-	-	-	-	-	-	36,776
<u>3,817</u>	<u>1,325</u>	<u>1,619,139</u>	<u>386</u>	<u>2,322</u>	<u>-</u>	<u>6,059,368</u>
757,789	-	-	-	-	-	1,257,789
-	-	-	-	-	-	193,040
-	-	-	-	-	-	118,084
-	-	-	-	-	-	12,204
-	-	-	-	-	-	1,646,036
-	-	383,951	-	-	-	387,665
814,557	-	-	-	-	-	814,557
-	-	-	-	-	-	168,072
-	30,000	-	-	-	-	39,796
-	-	-	-	-	-	17,443
-	-	-	-	-	-	-
-	-	3,928,928	-	-	-	3,928,928
-	-	-	-	487,840	-	487,840
<u>1,572,346</u>	<u>30,000</u>	<u>4,312,879</u>	<u>-</u>	<u>487,840</u>	<u>-</u>	<u>9,071,454</u>
<u>(1,568,529)</u>	<u>(28,675)</u>	<u>(2,693,740)</u>	<u>386</u>	<u>(485,518)</u>	<u>-</u>	<u>(3,012,086)</u>
4,910,000	-	3,000,000	-	-	18,755,000	26,665,000
173,367	-	-	-	-	-	173,367
3,141,034	1,700,000	-	-	-	-	5,009,270
-	-	-	-	-	(18,755,000)	(18,844,673)
<u>8,224,401</u>	<u>1,700,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,002,964</u>
6,655,872	1,671,325	306,260	386	(485,518)	-	9,990,878
1,735,244	538,018	19,104,772	311,464	3,234,463	-	28,988,904
<u>\$ 8,391,116</u>	<u>\$ 2,209,343</u>	<u>\$ 19,411,032</u>	<u>\$ 311,850</u>	<u>\$ 2,748,945</u>	<u>\$ -</u>	<u>\$ 38,979,782</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 HOTEL/MOTEL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Sales and use taxes	\$ 575,000	\$ 680,000	\$ 803,220	\$ 123,220
Investment income	554	1,663	3,148	1,485
Miscellaneous	400	400	6,492	6,092
Total revenues	<u>575,954</u>	<u>682,063</u>	<u>812,860</u>	<u>130,797</u>
EXPENDITURES				
Current Expenditures:				
Development	485,000	528,000	485,000	43,000
Total expenditures	<u>485,000</u>	<u>528,000</u>	<u>485,000</u>	<u>43,000</u>
Excess (deficiency) of revenues over expenditures	<u>90,954</u>	<u>154,063</u>	<u>327,860</u>	<u>173,797</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(61,630)	(61,630)	(61,630)	-
Total other financing sources (uses)	<u>(61,630)</u>	<u>(61,630)</u>	<u>(61,630)</u>	<u>-</u>
Net change in fund balances	29,324	92,433	266,230	173,797
Fund balances, beginning of year, as restated	<u>513,456</u>	<u>513,456</u>	<u>513,456</u>	<u>-</u>
Fund balances, end of year	<u>\$ 542,780</u>	<u>\$ 605,889</u>	<u>\$ 779,686</u>	<u>\$ 173,797</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 LAW ENFORCEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 300,000	\$ 300,000	\$ 299,969	\$ (31)
Investment income	1,740	491	510	19
Contributions	10,000	10,000	19,510	9,510
Total revenues	<u>311,740</u>	<u>310,491</u>	<u>319,989</u>	<u>9,498</u>
EXPENDITURES				
Current Expenditures:				
Police	336,500	336,500	237,896	98,604
Total expenditures	<u>336,500</u>	<u>336,500</u>	<u>237,896</u>	<u>98,604</u>
Excess (deficiency) of revenues over expenditures	<u>(24,760)</u>	<u>(26,009)</u>	<u>82,093</u>	<u>108,102</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,000	5,000	-
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	(24,760)	(21,009)	87,093	108,102
Fund balances, beginning of year, as restated	771,113	771,113	771,113	-
Fund balances, end of year	<u>\$ 746,353</u>	<u>\$ 750,104</u>	<u>\$ 858,206</u>	<u>\$ 108,102</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 FIRE DEPARTMENT DONATIONS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 56	\$ 48	\$ 45	\$ (3)
Contributions	-	-	13,050	13,050
Total revenues	<u>56</u>	<u>48</u>	<u>13,095</u>	<u>13,047</u>
EXPENDITURES				
General government	26,000	26,000	8,192	17,808
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>8,192</u>	<u>17,808</u>
Excess (deficiency) of revenues over expenditures	<u>(25,944)</u>	<u>(25,952)</u>	<u>4,903</u>	<u>30,855</u>
Net change in fund balances	(25,944)	(25,952)	4,903	30,855
Fund balances, beginning of year	35,664	35,664	35,664	-
Fund balances, end of year	<u>\$ 9,720</u>	<u>\$ 9,712</u>	<u>\$ 40,567</u>	<u>\$ 30,855</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 LIBRARY GIFT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 457	\$ 292	\$ 293	\$ 1
Contributions	40,500	40,500	39,375	(1,125)
Total revenues	<u>40,957</u>	<u>40,792</u>	<u>39,668</u>	<u>(1,124)</u>
EXPENDITURES				
Libraries	96,000	96,000	29,647	66,353
Total expenditures	<u>96,000</u>	<u>96,000</u>	<u>29,647</u>	<u>66,353</u>
Excess (deficiency) of revenues over expenditures	<u>(55,043)</u>	<u>(55,208)</u>	<u>10,021</u>	<u>65,229</u>
Net change in fund balances	(55,043)	(55,208)	10,021	65,229
Fund balances, beginning of year	242,609	242,609	242,609	-
Fund balances, end of year	<u>\$ 187,566</u>	<u>\$ 187,401</u>	<u>\$ 252,630</u>	<u>\$ 65,229</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 COMMUNITY HOUSING FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ 1,427,885	\$ 733,905	\$ 750,510	\$ 16,605
Investment income	87	136	133	(3)
Miscellaneous	5,000	111,500	25,381	(86,119)
Total revenues	<u>1,432,972</u>	<u>845,541</u>	<u>776,024</u>	<u>(69,517)</u>
EXPENDITURES				
Current Expenditures:				
Development	1,504,245	963,243	849,230	114,013
Total expenditures	<u>1,504,245</u>	<u>963,243</u>	<u>849,230</u>	<u>114,013</u>
Excess (deficiency) of revenues over expenditures	<u>(71,273)</u>	<u>(117,702)</u>	<u>(73,206)</u>	<u>44,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	83,000	83,000	83,000	-
Transfers out	(13,043)	(13,043)	(13,043)	-
Total other financing sources (uses)	<u>69,957</u>	<u>69,957</u>	<u>69,957</u>	<u>-</u>
Net change in fund balances	(1,316)	(47,745)	(3,249)	44,496
Fund balances, beginning of year	90,025	90,025	90,025	-
Fund balances, end of year	<u>\$ 88,709</u>	<u>\$ 42,280</u>	<u>\$ 86,776</u>	<u>\$ 44,496</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 GRANTS FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ 1,471,463	\$ 750,721	\$ 487,561	\$ (263,160)
Contributions	-	-	34	34
Total revenues	<u>1,471,463</u>	<u>750,721</u>	<u>487,595</u>	<u>(263,126)</u>
EXPENDITURES				
General government	15,000	103,000	-	103,000
Police	146,162	55,245	123,216	(67,971)
Fire	902,477	188,143	119,688	68,455
Development	671,000	587,666	311,806	275,860
Total expenditures	<u>1,734,639</u>	<u>934,054</u>	<u>554,710</u>	<u>379,344</u>
Excess (deficiency) of revenues over expenditures	<u>(263,176)</u>	<u>(183,333)</u>	<u>(67,115)</u>	<u>116,218</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	263,176	183,333	80,236	(103,097)
Total other financing sources (uses)	<u>263,176</u>	<u>183,333</u>	<u>80,236</u>	<u>(103,097)</u>
Net change in fund balances	-	-	13,121	13,121
Fund balances, beginning of year	<u>335,943</u>	<u>335,943</u>	<u>335,943</u>	<u>-</u>
Fund balances, end of year	<u>\$ 335,943</u>	<u>\$ 335,943</u>	<u>\$ 349,064</u>	<u>\$ 13,121</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 VETERANS MEMORIAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 23	\$ 17	\$ 17	\$ -
Contributions	3,500	3,500	3,000	(500)
Total revenues	<u>3,523</u>	<u>3,517</u>	<u>3,017</u>	<u>(500)</u>
EXPENDITURES				
Parks and recreation	5,000	5,000	3,714	1,286
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>3,714</u>	<u>1,286</u>
Excess (deficiency) of revenues over expenditures	<u>(1,477)</u>	<u>(1,483)</u>	<u>(697)</u>	<u>786</u>
Net change in fund balances	(1,477)	(1,483)	(697)	786
Fund balances, beginning of year	16,109	16,109	16,109	-
Fund balances, end of year	<u>\$ 14,632</u>	<u>\$ 14,626</u>	<u>\$ 15,412</u>	<u>\$ 786</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 TIRZ 1 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Property taxes	\$ 152,786	\$ 145,017	\$ 446,956	\$ 301,939
Sales and use taxes	400,000	735,000	1,037,166	302,166
Investment income	1,200	977	1,382	405
Total revenues	<u>553,986</u>	<u>880,994</u>	<u>1,485,504</u>	<u>604,510</u>
EXPENDITURES				
General government	<u>200,000</u>	<u>700,000</u>	<u>500,000</u>	<u>200,000</u>
Total expenditures	<u>200,000</u>	<u>700,000</u>	<u>500,000</u>	<u>200,000</u>
Excess (deficiency) of revenues over expenditures	<u>353,986</u>	<u>180,994</u>	<u>985,504</u>	<u>804,510</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(25,500)</u>	<u>(10,500)</u>	<u>(10,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>(25,500)</u>	<u>(10,500)</u>	<u>(10,500)</u>	<u>-</u>
Net change in fund balances	328,486	170,494	975,004	804,510
Fund balances, beginning of year	<u>1,239,216</u>	<u>1,239,216</u>	<u>1,239,216</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,567,702</u>	<u>\$ 1,409,710</u>	<u>\$ 2,214,220</u>	<u>\$ 804,510</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 TIRZ 2 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Property taxes	\$ 21,426	\$ 21,729	\$ 80,510	\$ 58,781
Sales and use taxes	300,000	493,000	412,991	(80,009)
Investment income	800	1,108	1,126	18
Contributions	-	-	-	-
Total revenues	<u>322,226</u>	<u>515,837</u>	<u>494,627</u>	<u>(21,210)</u>
Excess (deficiency) of revenues over expenditures	<u>322,226</u>	<u>515,837</u>	<u>494,627</u>	<u>(21,210)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(4,500)	(4,500)	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(4,500)</u>	<u>(4,500)</u>	<u>-</u>
Net change in fund balances	312,226	511,337	490,127	(21,210)
Fund balances, beginning of year	820,808	820,808	820,808	-
Fund balances, end of year	<u>\$ 1,133,034</u>	<u>\$ 1,332,145</u>	<u>\$ 1,310,935</u>	<u>\$ (21,210)</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 TECHNOLOGY IMPROVEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Charges for services	\$ 1,114	\$ 2,199	\$ 2,199	\$ -
Investment income	3,069	1,705	1,618	(87)
Total revenues	<u>4,183</u>	<u>3,904</u>	<u>3,817</u>	<u>(87)</u>
EXPENDITURES				
Current expenditures:				
General government	1,951,965	2,042,409	1,572,346	470,063
Total expenditures	<u>1,951,965</u>	<u>2,042,409</u>	<u>1,572,346</u>	<u>470,063</u>
Excess (deficiency) of revenues over expenditures	<u>(1,947,782)</u>	<u>(2,038,505)</u>	<u>(1,568,529)</u>	<u>469,976</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	-	4,910,000	4,910,000
Premium on issuance of debt	-	-	173,367	173,367
Transfers in	935,200	941,034	3,141,034	2,200,000
Total other financing sources (uses)	<u>935,200</u>	<u>941,034</u>	<u>8,224,401</u>	<u>7,283,367</u>
Net change in fund balances	(1,012,582)	(1,097,471)	6,655,872	7,753,343
Fund balances, beginning of year	1,735,244	1,735,244	1,735,244	-
Fund balances, end of year	<u>\$ 722,662</u>	<u>\$ 637,773</u>	<u>\$ 8,391,116</u>	<u>\$ 7,753,343</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 FIRE IMPROVEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 871	\$ 1,374	\$ 1,325	\$ (49)
Total revenues	<u>871</u>	<u>1,374</u>	<u>1,325</u>	<u>(49)</u>
EXPENDITURES				
Current expenditures:				
Fire	-	2,230,000	30,000	2,200,000
Total expenditures	<u>-</u>	<u>2,230,000</u>	<u>30,000</u>	<u>2,200,000</u>
Excess (deficiency) of revenues over expenditures	<u>871</u>	<u>(2,228,626)</u>	<u>(28,675)</u>	<u>2,199,951</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,700,000	1,700,000	-
Total other financing sources (uses)	<u>-</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>-</u>
Net change in fund balances	871	(528,626)	1,671,325	2,199,951
Fund balances, beginning of year	538,018	538,018	538,018	-
Fund balances, end of year	<u>\$ 538,889</u>	<u>\$ 9,392</u>	<u>\$ 2,209,343</u>	<u>\$ 2,199,951</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 PARK CONSTRUCTION FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ 300,000	\$ 151,670	\$ 71,670	\$ (80,000)
Investment income	18,074	57,587	59,400	1,813
Contributions	4,619,393	9,556,466	1,488,069	(8,068,397)
Total revenues	<u>4,937,467</u>	<u>9,765,723</u>	<u>1,619,139</u>	<u>(8,146,584)</u>
EXPENDITURES				
Current expenditures:				
Parks and recreation	4,214,625	27,010,036	4,312,879	22,697,157
Total expenditures	<u>4,214,625</u>	<u>27,010,036</u>	<u>4,312,879</u>	<u>22,697,157</u>
Excess (deficiency) of revenues over expenditures	<u>722,842</u>	<u>(17,244,313)</u>	<u>(2,693,740)</u>	<u>14,550,573</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	3,000,000	3,000,000	-
Transfers in	-	85,000	-	(85,000)
Total other financing sources (uses)	<u>-</u>	<u>3,085,000</u>	<u>3,000,000</u>	<u>(85,000)</u>
Net change in fund balances	722,842	(14,159,313)	306,260	14,465,573
Fund balances, beginning of year	19,104,772	19,104,772	19,104,772	-
Fund balances, end of year	<u>\$ 19,827,614</u>	<u>\$ 4,945,459</u>	<u>\$ 19,411,032</u>	<u>\$ 14,465,573</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 LIBRARY IMPROVEMENT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income	\$ 571	\$ 444	\$ 386	\$ (58)
Total revenues	<u>571</u>	<u>444</u>	<u>386</u>	<u>(58)</u>
Excess (deficiency) of revenues over expenditures	<u>571</u>	<u>444</u>	<u>386</u>	<u>(58)</u>
Net change in fund balances	571	444	386	(58)
Fund balances, beginning of year	<u>311,464</u>	<u>311,464</u>	<u>311,464</u>	<u>-</u>
Fund balances, end of year	<u>\$ 312,035</u>	<u>\$ 311,908</u>	<u>\$ 311,850</u>	<u>\$ (58)</u>

**CITY OF MCKINNEY, TEXAS
 BUDGETARY COMPARISON (GAAP BASIS)
 STORMWATER CONSTRUCTION FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ -	\$ 3,012,750	\$ -	\$ (3,012,750)
Investment income	3,602	2,448	2,322	(126)
Total revenues	<u>3,602</u>	<u>3,015,198</u>	<u>2,322</u>	<u>(3,012,876)</u>
EXPENDITURES				
Current expenditures:				
Public works	1,293,840	5,491,953	487,840	5,004,113
Total expenditures	<u>1,293,840</u>	<u>5,491,953</u>	<u>487,840</u>	<u>5,004,113</u>
Excess (deficiency) of revenues over expenditures	<u>(1,290,238)</u>	<u>(2,476,755)</u>	<u>(485,518)</u>	<u>1,991,237</u>
Net change in fund balances	(1,290,238)	(2,476,755)	(485,518)	1,991,237
Fund balances, beginning of year	3,234,463	3,234,463	3,234,463	-
Fund balances, end of year	<u>\$ 1,944,225</u>	<u>\$ 757,708</u>	<u>\$ 2,748,945</u>	<u>\$ 1,991,237</u>



NON-MAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS

GOLF COURSE FUND - to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

SURFACE WATER DRAINAGE UTILITY FUND - to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

SOLID WASTE FUND - to account for revenues and operating costs of providing solid waste and recycling services.

INSURANCE RISK AND MANAGEMENT FUND - to account for costs associated with workers' compensation, property and liability insurance and with health and dental benefits of employees, retirees, and covered dependents.

**CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2014**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Total Non-major Enterprise Funds</u>
	<u>Golf Course</u>	<u>Surface Water Drainage</u>	<u>Solid Waste</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 130,586	\$ 2,023,733	\$ 6,649,435	\$ 8,803,754
Investments	-	-	547,373	547,373
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accounts receivable (net of allowance for uncollectibles)	43,370	244,074	2,314,810	2,602,254
Accrued interest	-	-	1,988	1,988
Notes receivable- interfund	-	-	877,318	877,318
Notes receivable- component unit	-	-	4,000,000	4,000,000
Total current assets	183,956	2,267,807	14,390,924	16,842,687
Non-current assets:				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,499,162	-	164,402	1,663,564
Improvements other than buildings	2,522,526	-	668,609	3,191,135
Machinery and equipment	427,218	582,774	461,147	1,471,139
Less accumulated depreciation	(2,593,917)	(476,509)	(957,766)	(4,028,192)
Total capital assets (net of accumulated depreciation)	2,257,202	106,265	500,688	2,864,155
TOTAL ASSETS	2,441,158	2,374,072	14,891,612	19,706,842
LIABILITIES				
Current liabilities:				
Accounts payable	6,198	58,466	72,060	136,724
Other accrued liabilities	-	30,092	689,341	719,433
Due to other funds	-	-	40,369	40,369
Notes payable	47,947	-	-	47,947
Compensated absences	-	5,468	8,047	13,515
Total current liabilities	54,145	94,026	809,817	957,988
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
Non-current liabilities:				
Compensated absences	-	53,136	78,199	131,335
Notes payable	829,371	-	-	829,371
Total non-current liabilities	829,371	53,136	78,199	960,706
TOTAL LIABILITIES	893,516	147,162	888,016	1,928,694
NET POSITION				
Net investment in capital assets	2,257,202	106,265	500,688	2,864,155
Unrestricted	(709,560)	2,120,645	13,502,908	14,913,993
Total net position	\$ 1,547,642	\$ 2,226,910	\$ 14,003,596	\$ 17,778,148

**CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION- NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds			Total Non-major Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
OPERATING REVENUES				
Charges for services	\$ 37,421	\$ 1,998,850	\$ 7,336,424	\$ 9,372,695
Miscellaneous	68,433	-	35,826	104,259
Total operating revenues	<u>105,854</u>	<u>1,998,850</u>	<u>7,372,250</u>	<u>9,476,954</u>
OPERATING EXPENSES				
Personnel services	-	1,034,648	943,154	1,977,802
Materials and supplies	-	45,166	42,101	87,267
Maintenance	787	290,998	25,277	317,062
Contract payments	-	432,874	5,154,669	5,587,543
Utilities	5,056	1,266	3,266	9,588
Depreciation	172,382	16,287	60,977	249,646
Other	16,178	113,196	50,773	180,147
Total operating expenses	<u>194,403</u>	<u>1,934,435</u>	<u>6,280,217</u>	<u>8,409,055</u>
Operating income (loss)	<u>(88,549)</u>	<u>64,415</u>	<u>1,092,033</u>	<u>1,067,899</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	114	2,392	129,393	131,899
Total non-operating revenues	<u>114</u>	<u>2,392</u>	<u>129,393</u>	<u>131,899</u>
Income(loss) before contributions and transfers	<u>(88,435)</u>	<u>66,807</u>	<u>1,221,426</u>	<u>1,199,798</u>
Contributions	-	67,792	4,760	72,552
Transfers in	-	-	58,460	58,460
Transfers out	(5,000)	(78,432)	(404,904)	(488,336)
Change in net position	(93,435)	56,167	879,742	842,474
Total net position - beginning	<u>1,641,077</u>	<u>2,170,743</u>	<u>13,123,854</u>	<u>16,935,674</u>
Total net position - ending	<u>\$ 1,547,642</u>	<u>\$ 2,226,910</u>	<u>\$ 14,003,596</u>	<u>\$ 17,778,148</u>

**CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds			Total Non-Major Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 45,792	\$ 1,976,491	\$ 6,343,319	\$ 8,365,602
Other operating revenues	68,433	-	35,826	104,259
Cash payments for employee services	-	(1,025,634)	(922,534)	(1,948,168)
Cash payments to suppliers for goods and services	(34,662)	(826,080)	(5,176,661)	(6,037,403)
Net cash provided by operating activities	79,563	124,777	279,950	484,290
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	58,460	58,460
Transfers out	(5,000)	(78,432)	(404,904)	(488,336)
Net cash used in non-capital financing activities	(5,000)	(78,432)	(346,444)	(429,876)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(24,296)	(32,638)	(56,934)
Principal payments on loans	(47,122)	-	-	(47,122)
Payments from loan to component units	-	-	1,177,500	1,177,500
Proceeds from advances	-	-	47,122	47,122
Net cash provided by (used in) capital and related financing activities	(47,122)	(24,296)	1,191,984	1,120,566
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	-	-	6,582	6,582
Investment earnings	114	2,392	129,394	131,900
Net cash provided by investing activities	114	2,392	135,976	138,482
Net increase in cash	27,555	24,441	1,261,466	1,313,462
Cash and cash equivalents at beginning of year	113,031	1,999,292	5,387,969	7,500,292
Cash and cash equivalents at end of year	<u>\$ 140,586</u>	<u>\$ 2,023,733</u>	<u>\$ 6,649,435</u>	<u>\$ 8,813,754</u>
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS				
Unrestricted cash and cash equivalents	\$ 130,586	\$ 2,023,733	\$ 6,649,435	\$ 8,803,754
Restricted cash and cash equivalents	10,000	-	-	10,000
	<u>\$ 140,586</u>	<u>\$ 2,023,733</u>	<u>\$ 6,649,435</u>	<u>\$ 8,813,754</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (88,549)	\$ 64,415	\$ 1,092,033	\$ 1,067,899
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	172,382	16,287	60,977	249,646
Provision for uncollectibles	-	4,308	21,047	25,355
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	8,371	(26,667)	(1,014,152)	(1,032,448)
Prepaid expenses	-	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	(12,641)	57,420	29,475	74,254
Accrued liabilities	-	8,652	70,082	78,734
Due to other funds	-	-	5,335	5,335
Liability for accrued vacation	-	362	15,153	15,515
Total adjustments	168,112	60,362	(812,083)	(583,609)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 79,563	\$ 124,777	\$ 279,950	\$ 484,290

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,052,766
Accounts receivable (net of allowance for uncollectibles)	<u>256,208</u>
Total currents assets	<u>7,308,974</u>
TOTAL ASSETS	<u>7,308,974</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>1,078,287</u>
Total current liabilities	<u>1,078,287</u>
TOTAL LIABILITIES	<u>1,078,287</u>
NET POSITION	
Unrestricted	<u>6,230,687</u>
Total net position	<u>\$ 6,230,687</u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 17,117,228
Intergovernmental	-
Total operating revenues	<u>17,117,228</u>
OPERATING EXPENSES	
Personnel services	91,716
Other	<u>13,104,423</u>
Total operating expenses	<u>13,196,139</u>
Operating income	<u>3,921,089</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>6,957</u>
Total non-operating revenues	<u>6,957</u>
Income before contributions and transfers	<u>3,928,046</u>
Change in net position	<u>3,928,046</u>
Total net position - beginning	<u>2,302,641</u>
Total net position - ending	<u><u>\$ 6,230,687</u></u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from user charges	\$ 16,936,285
Cash payments for employee services	(91,716)
Cash payments for other operating expenses	(13,142,229)
Net cash provided by operating activities	3,702,340
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	6,957
Net cash provided by investing activities	6,957
Net increase in cash	3,709,297
Cash and cash equivalents at beginning of year	3,343,469
Cash and cash equivalents at end of year	<u>\$ 7,052,766</u>
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS:	
Unrestricted cash and cash equivalents	\$ 7,052,766
	<u>\$ 7,052,766</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 3,921,089
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(180,943)
Increase (decrease) in liabilities:	
Accounts payable	(37,806)
Total adjustments	(218,749)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,702,340



FIDUCIARY FUNDS



**CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
YEAR ENDED SEPTEMBER 30, 2014**

BB Owen Park	Balance September 30, 2013	ADDITIONS	DEDUCTIONS	Balance September 30, 2014
ASSETS:				
Cash and cash equivalents	\$ 10,968,378	\$ 10,561	\$ (65,198)	\$ 10,913,741
Total Assets	<u>\$ 10,968,378</u>	<u>\$ 10,561</u>	<u>\$ (65,198)</u>	<u>\$ 10,913,741</u>
 LIABILITIES:				
Developer escrows	\$ 10,968,378	\$ 10,561	\$ (65,198)	\$ 10,913,741
Total Liabilities	<u>\$ 10,968,378</u>	<u>\$ 10,561</u>	<u>\$ (65,198)</u>	<u>\$ 10,913,741</u>



DISCRETELY PRESENTED COMPONENT UNITS

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION – purpose is to aid, promote and further the economic development within the City.

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION – purpose is to identify and fund public projects to maintain or enhance the quality of life in the city.

MCKINNEY CONVENTION & VISITORS BUREAU – to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

MCKINNEY MAIN STREET – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

COLLIN COUNTY AIRPORT DEVELOPMENT CORPORATION – The purpose of the CCADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. The management agreement with the CCADC was formally rescinded and the assets of the CCADC were contributed to the City during the 2014 fiscal year.

**CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

	MEDC Operating Fund	Debt Service Fund	Debt Reserve Fund	Total
ASSETS				
Cash and cash equivalents	\$ 16,011,666	\$ -	\$ -	\$ 16,011,666
Restricted cash and cash equivalents	-	1,902	1,588,962	1,590,864
Accounts receivable	2,289,844	-	-	2,289,844
Prepaid items	36,246	-	-	36,246
Total assets	\$ 18,337,756	\$ 1,902	\$ 1,588,962	\$19,928,620
LIABILITIES				
Accounts payable	\$ 54,512	\$ -	\$ -	\$ 54,512
Other accrued liabilities	18,252	-	-	18,252
Total liabilities	72,764	-	-	72,764
FUND BALANCES				
NonSpendable				
Prepaid items	36,246	-	-	36,246
Restricted				
Debt service	-	1,902	-	1,902
Debt service reserve balance	-	-	1,588,962	1,588,962
Unassigned	18,228,746	-	-	18,228,746
Total fund balances	18,264,992	1,902	1,588,962	19,855,856
Total liabilities and fund balances	\$ 18,337,756	\$ 1,902	\$ 1,588,962	\$19,928,620

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION- MCKINNEY ECONOMIC
DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

Total fund balance-governmental funds.	\$ 19,855,856
Certain bond related items are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset.	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	15,258,153
Accumulated depreciation has not been included in the governmental fund financial statements.	(231,763)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(57,502)
Bonds payable, contractual obligations and notes payable have not been included in the governmental fund financial statements.	(17,695,000)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(51,360)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 17,078,384</u></u>

**CITY OF MCKINNEY, TEXAS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - MCKINNEY ECONOMIC
DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	MEDC Operating Fund	Debt Service Fund	Debt Reserve Fund	Elimination	Total
REVENUES					
Sales and use taxes	\$10,075,479	\$ -	\$ -	\$ -	\$ 10,075,479
Investment income	9,673	1,376	1,512	-	12,561
Contributions	3,417,016	-	-	-	3,417,016
Total revenues	13,502,168	1,376	1,512	-	13,505,056
EXPENDITURES					
Economic development	5,416,213	-	-	-	5,416,213
Interest and fiscal charges	-	745,328	-	-	745,328
Principal payments	-	2,410,000	-	-	2,410,000
Total expenditures	5,416,213	3,155,328	-	-	8,571,541
Excess (deficiency) of revenues over expenditures	8,085,955	(3,153,952)	1,512	-	4,933,515
OTHER FINANCING SOURCES (USES)					
Sale of property	610,978	-	-	-	610,978
Transfers in	-	3,154,228	-	(3,154,228)	-
Transfers out	(3,154,228)	-	-	3,154,228	-
Total other financing sources (uses):	(2,543,250)	3,154,228	-	-	610,978
Excess (deficiency) of revenues and other sources over expenditures	5,542,705	276	1,512	-	5,544,493
Fund balances, beginning of year	12,722,287	1,626	1,587,450	-	14,311,363
Fund balances, end of year	<u>\$18,264,992</u>	<u>\$ 1,902</u>	<u>\$ 1,588,962</u>	<u>\$ -</u>	<u>\$ 19,855,856</u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES - MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances- total governmental funds.	\$ 5,544,493
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.	(18,996)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	2,410,000
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.	12,023
In governmental fund financial statements the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	(1,179,273)
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	<u>(13,187)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,755,060</u></u>

**CITY OF MCKINNEY, TEXAS
 BALANCE SHEET- MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
 SEPTEMBER 30, 2014**

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	\$ 27,522,968
Investments	2,980,887
Accounts receivable	1,796,339
Prepaid items	7,352
Total assets	\$ 32,307,546
LIABILITIES	
Accounts payable	\$ 11,254
Other accrued liabilities	5,118
Total liabilities	16,372
FUND BALANCES	
NonSpendable	
Prepaid items	7,352
Unrestricted	32,283,822
Total fund balances	32,291,174
Total liabilities and fund balances	\$ 32,307,546

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET
POSITION - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

Total fund balance-governmental funds.	\$ 32,291,174
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	7,793,169
Accumulated depreciation has not been included in the governmental fund financial statements.	(401,618)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	<u>(13,897)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 39,668,828</u></u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	\$ 10,075,479
Investment income	17,405
Contributions	-
Total revenues	<u>10,092,884</u>
EXPENDITURES	
Community development	<u>8,454,305</u>
Total expenditures	<u>8,454,305</u>
Excess of revenues over expenditures	1,638,579
Fund balances, beginning of year	<u>30,652,595</u>
Fund balances, end of year	<u><u>\$ 32,291,174</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MCKINNEY COMMUNITY
DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances- total governmental funds.	\$ 1,638,579
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.	(141,883)
Reductions of vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	<u>4,512</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,501,208</u></u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2014**

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	\$ 372,632
Accounts receivable	584
Prepaid items	<u>11,794</u>
Total assets	<u><u>\$ 385,010</u></u>
LIABILITIES	
Accounts payable	\$ 11,289
Other accrued liabilities	<u>6,108</u>
Total liabilities	<u>17,397</u>
FUND BALANCES	
NonSpendable	
Prepaid items	11,794
Unrestricted	<u>355,819</u>
Total fund balances	<u>367,613</u>
Total liabilities and fund balances	<u><u>\$ 385,010</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Total fund balance-governmental funds.	\$	367,613
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		<u>(40,274)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>327,339</u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	\$ 485,000
Investment income	419
Miscellaneous	4,239
Total revenues	<u>489,658</u>
EXPENDITURES	
Community development	<u>478,255</u>
Total expenditures	<u>478,255</u>
Excess of revenues over expenditures	11,403
Fund balances, beginning of year	<u>356,210</u>
Fund balances, end of year	<u><u>\$ 367,613</u></u>

**CITY OF MCKINNEY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
 ACTIVITIES – MCKINNEY CONVENTION AND VISITORS BUREAU
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances- total governmental funds.	\$ 11,403
Reductions of vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	<u>(13,383)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,980)</u>

**CITY OF MCKINNEY, TEXAS
 BALANCE SHEET – MCKINNEY MAIN STREET
 SEPTEMBER 30, 2014**

	McKinney Main Street Corporation
ASSETS	
Cash and cash equivalents	\$ 394,269
Accounts receivable	183,200
Prepaid items	<u>477</u>
Total assets	<u>\$ 577,946</u>
LIABILITIES	
Accounts payable	\$ 406,022
Unearned revenue	<u>10,995</u>
Total liabilities	<u>417,017</u>
FUND BALANCES	
NonSpendable	
Prepaid items	477
Unrestricted	<u>160,452</u>
Total fund balances	<u>160,929</u>
Total liabilities and fund balances	<u>\$ 577,946</u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
MCKINNEY MAIN STREET
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	McKinney Main Street Corporation
REVENUES	
Contributions	\$ 5,646
Events	756,921
Total revenues	<u>762,567</u>
EXPENDITURES	
Community development	<u>671,227</u>
Total expenditures	<u>671,227</u>
Excess of revenues over expenditures	91,340
Fund balances, beginning of year	<u>69,589</u>
Fund balances, end of year	<u><u>\$ 160,929</u></u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION- COLLIN COUNTY AIRPORT DEVELOPMENT
CORPORATION
SEPTEMBER 30, 2014**

	Collin County Airport Development Corporation
ASSETS	
Current assets:	
Cash and cash equivalents	\$ -
Restricted assets:	
Cash and cash equivalents	-
Receivables (net of allowance for uncollectibles)	-
Accrued interest receivable	-
Prepaid items	-
	<hr/>
Total current assets	-
	<hr/>
Capital assets:	
Land	-
Buildings	-
Improvements other than buildings	-
Machinery and equipment	-
Construction in progress	-
Less accumulated depreciation	-
	<hr/>
Total capital assets (net of accumulated depreciation)	-
	<hr/>
Total non-current assets	-
	<hr/>
TOTAL ASSETS	\$ -
	<hr/> <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ -
Other accrued liabilities	-
Compensated absences	-
	<hr/>
Total current liabilities unrestricted	-
	<hr/>
Liabilities (payable from restricted assets):	
Accounts payable	-
Deposits	-
	<hr/>
Total current liabilities (payable from restricted assets)	-
	<hr/>
Total current liabilities	-
	<hr/>
Non-current liabilities:	
Compensated absences	-
	<hr/>
Total non-current liabilities	-
	<hr/>
TOTAL LIABILITIES	-
	<hr/>
NET POSITION	
Net investment in capital assets	-
Unrestricted	-
	<hr/>
TOTAL NET POSITION	\$ -
	<hr/> <hr/>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – COLLIN
COUNTY AIRPORT DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Collin County Airport Development Corporation
OPERATING REVENUES	
Charges for services	\$ -
Intergovernmental	-
Miscellaneous	-
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Personnel services	-
Materials and supplies	-
Maintenance	-
Contract payments	-
Utilities	-
Depreciation	-
Other	-
Total operating expenses	<u>-</u>
Operating income	<u>-</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental	(78,727,529)
Investment income	-
Loss on disposal of assets	-
Total non-operating expenses	<u>(78,727,529)</u>
Loss before contributions	<u>(78,727,529)</u>
Contributions	<u>-</u>
Change in net position	(78,727,529)
Total net position-beginning, as restated	<u>78,727,529</u>
Total net position-ending	<u><u>\$ -</u></u>



STATISTICAL SECTION



This part of the City of McKinney's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table #s</u>
<p>Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	1-4
<p>Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.</p>	5-8
<p>Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	9-13
<p>Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	14-15
<p>Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.</p>	16-18

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MCKINNEY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets	\$ 237,354,450	\$ 267,326,939	\$ 297,203,029	\$ 239,601,800	\$ 285,415,013
Restricted for:					
Use of impact fees	6,931,347	6,682,804	5,914,879	5,876,387	5,849,676
Highways and streets	-	-	-	40,323,951	42,770,468
Debt service	385,799	1,608,313	1,265,064	1,504,492	1,812,651
Other capital projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	117,354	-	-	-	62,137
Unrestricted	33,120,488	42,300,986	44,022,473	59,424,524	59,789,506
Total governmental activities net position	\$ 277,909,438	\$ 317,919,042	\$ 348,405,445	\$ 346,731,154	\$ 395,699,451
Business-type activities					
Net investment in capital assets	\$ 143,430,759	\$ 162,966,613	\$ 176,356,253	\$ 180,859,674	\$ 171,936,373
Restricted for:					
Use of impact fees	2,336,291	3,853,405	1,646,162	1,760,033	2,083,128
Debt service	2,391,615	1,146,486	3,248,974	3,707,091	4,151,257
Unrestricted	34,690,519	42,372,380	46,817,740	55,657,877	89,351,500
Total business-type activities net position	\$ 182,849,184	\$ 210,338,884	\$ 228,069,129	\$ 241,984,675	\$ 267,522,258
Primary government					
Net investment in capital assets	\$ 380,785,209	\$ 430,293,552	\$ 473,559,282	\$ 420,461,474	\$ 457,351,386
Restricted for:					
Use of impact fees	9,267,638	10,536,209	7,561,041	7,636,420	7,932,804
Highways and streets	-	-	-	40,323,951	42,770,468
Debt service	2,777,414	2,754,799	4,514,038	5,211,583	5,963,908
Other capital projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	117,354	-	-	-	62,137
Unrestricted	67,811,007	84,673,366	90,840,213	115,082,401	149,141,006
Total primary governmental net position	\$ 460,758,622	\$ 528,257,926	\$ 576,474,574	\$ 588,715,829	\$ 663,221,709

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net assets reflect the omission of MCVB, which is now reported as a discretely presented component unit.
In addition, beginning in 2012, GASB Statement 54 was adopted which amended fund balance classifications.

TABLE 1

Fiscal Year				
2010	2011	2012	2013	2014
\$ 290,201,450	\$ 284,785,050	\$ 274,618,286	\$ 279,952,868	\$ 252,289,367
2,027,269	4,061,242	4,549,816	6,700,810	5,692,253
33,628,327	31,376,277	22,246,699	26,406,329	24,938,952
588,843	219,454	888,855	1,285,455	2,104,797
-	-	36,259,889	46,153,392	50,015,128
-	-	573,763	803,777	896,023
-	-	309,242	513,456	779,686
-	-	168,894	242,609	248,630
-	-	6,371	16,109	15,412
22,136	65,005	452,431	425,968	434,681
61,481,942	64,368,362	46,834,521	41,729,688	55,412,329
<u>\$ 387,949,967</u>	<u>\$ 384,875,390</u>	<u>\$ 386,908,767</u>	<u>\$ 404,230,461</u>	<u>\$ 392,827,258</u>
\$ 206,148,786	\$ 208,847,556	\$ 218,424,139	\$ 233,112,767	\$ 330,537,941
2,537,464	2,704,125	5,025,467	8,806,302	7,564,939
4,625,915	4,980,679	5,324,601	5,528,516	5,601,263
63,541,978	74,128,202	78,188,714	77,348,628	89,167,306
<u>\$ 276,854,143</u>	<u>\$ 290,660,562</u>	<u>\$ 306,962,921</u>	<u>\$ 324,796,213</u>	<u>\$ 432,871,449</u>
\$ 496,350,236	\$ 493,632,606	\$ 493,042,425	\$ 513,065,635	\$ 582,827,308
4,564,733	6,765,367	9,575,283	15,507,112	13,257,192
33,628,327	31,376,277	22,246,699	26,406,329	24,938,952
5,214,758	5,200,133	6,213,456	6,813,971	7,706,060
-	-	36,259,889	46,153,392	50,015,128
-	-	573,763	803,777	896,023
-	-	309,242	513,456	779,686
-	-	168,894	242,609	248,630
-	-	6,371	16,109	15,412
22,136	65,005	452,431	425,968	434,681
125,023,920	138,496,564	125,023,235	119,078,316	144,579,635
<u>\$ 664,804,110</u>	<u>\$ 675,535,952</u>	<u>\$ 693,871,688</u>	<u>\$ 729,026,674</u>	<u>\$ 825,698,707</u>

**CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses					
Governmental activities:					
General government	\$ 11,891,231	\$ 14,655,266	\$ 16,703,632	\$ 24,836,791	\$ 21,154,522
Police	11,666,150	13,966,596	17,171,278	19,724,792	20,881,195
Fire	10,513,209	12,676,417	15,371,027	17,477,479	19,371,301
Libraries	2,381,996	2,497,842	2,624,278	2,753,427	2,894,683
Development	7,388,866	6,958,806	9,192,242	9,786,774	9,507,244
Parks and recreation	5,896,142	7,206,606	7,788,351	8,645,291	9,383,872
Public works	19,014,444	22,504,074	25,163,366	38,499,039	30,724,972
Interest on long-term debt	4,784,081	5,059,203	8,108,639	7,980,156	9,045,551
Airport	1,150,965	3,218,089	614,282	8,541,987	1,850,442
Total governmental activities expenses	74,687,084	88,742,899	102,737,095	138,245,736	124,813,782
Business-type activities:					
Water/Wastewater	26,933,863	29,812,732	34,284,602	37,755,782	41,467,962
Solid Waste	3,928,218	3,939,969	4,625,896	5,492,531	5,724,412
Golf Course	1,070,936	1,031,145	963,658	971,187	187,769
Surface Water Drainage	400,622	48,944	25,000	63,944	877,048
Airport	-	-	-	-	-
Total business-type activities expenses	32,333,639	34,832,790	39,899,156	44,283,444	48,257,191
Total primary government expenses	\$ 107,020,723	\$ 123,575,689	\$ 142,636,251	\$ 182,529,180	\$ 173,070,973
Program Revenues					
Governmental activities:					
Charges for Services:					
General government	\$ 2,025,502	\$ 2,351,508	\$ 2,356,380	\$ 2,631,063	\$ 2,692,338
Police	1,488,554	1,320,381	1,737,930	3,771,316	2,689,592
Fire	1,383,419	1,295,885	985,641	1,475,731	1,607,943
Libraries	32,971	125,585	115,841	55,649	71,437
Development	6,821,159	7,407,719	5,410,173	4,283,881	3,949,296
Parks and recreation	557,662	894,362	929,376	1,020,734	1,123,973
Interest on long-term debt	-	-	-	-	-
Airport	-	-	-	-	-
Operating grants and contributions	3,117,815	2,555,338	1,829,116	1,731,674	1,834,766
Capital grants and contributions	32,856,489	38,605,660	33,563,709	29,065,497	63,619,883
Total governmental activities program revenues	48,283,571	54,556,438	46,928,166	44,035,545	77,589,228
Business-type activities:					
Charges for Services:					
Water/Wastewater	32,446,505	39,393,138	35,082,265	38,004,807	45,499,621
Solid Waste	5,539,419	6,369,958	6,430,735	6,719,134	6,372,156
Golf Course	932,279	965,268	811,557	918,519	79,451
Surface Water Drainage	517,383	552,162	622,531	1,586,333	1,684,830
Airport	-	-	-	-	-
Operating grants and contributions	50,400	-	-	-	-
Capital grants and contributions	12,821,901	15,124,649	13,160,529	10,891,962	21,663,743
Total business-type activities program revenues	52,307,887	62,405,175	56,107,617	58,120,755	75,299,801
Total primary government program revenues	\$ 100,591,458	\$ 116,961,613	\$ 103,035,783	\$ 102,156,300	\$ 152,889,029

TABLE 2

		Fiscal Year							
		2010	2011	2012	2013	2014			
\$	29,245,688	\$	23,110,420	\$	21,828,013	\$	20,555,978	\$	33,368,297
	21,276,723		20,670,697		21,843,375		23,340,362		26,024,709
	19,828,670		19,772,826		19,636,533		21,432,874		22,806,691
	3,179,616		3,039,839		3,258,633		3,276,383		3,320,179
	9,491,109		8,777,957		8,522,548		9,107,096		10,057,171
	9,215,196		9,864,370		9,695,909		10,370,483		10,415,311
	33,614,032		32,416,388		33,199,659		35,111,875		37,604,682
	10,241,441		10,161,568		9,514,103		8,912,771		8,482,455
	2,655,115		565,000		565,000		613,513		-
	<u>138,747,590</u>		<u>128,379,065</u>		<u>128,063,773</u>		<u>132,721,335</u>		<u>152,079,495</u>
	44,083,602		46,104,008		47,777,509		52,003,461		55,007,446
	6,213,755		6,066,387		6,572,110		6,486,035		6,280,217
	258,801		224,175		220,140		351,556		194,403
	1,583,183		1,633,798		1,551,577		1,660,597		1,934,435
	-		-		-		-		8,601,099
	<u>52,139,341</u>		<u>54,028,368</u>		<u>56,121,336</u>		<u>60,501,649</u>		<u>72,017,600</u>
\$	<u>190,886,931</u>	\$	<u>182,407,433</u>	\$	<u>184,185,109</u>	\$	<u>193,222,984</u>	\$	<u>224,097,095</u>
\$	2,976,341	\$	2,999,584	\$	2,896,926	\$	1,492,078	\$	1,467,171
	2,529,019		2,676,107		3,449,850		2,797,246		2,552,326
	794,661		1,919,405		1,620,136		2,187,476		2,394,449
	86,927		95,033		106,890		109,709		112,271
	4,058,203		3,958,584		6,299,051		7,296,819		7,264,193
	1,037,454		1,071,536		1,012,260		1,054,194		965,429
	528,000		528,000		528,000		528,000		528,000
	-		-		4,767		8,325		2,199
	2,471,193		2,772,410		2,343,700		2,459,385		2,446,548
	<u>20,349,634</u>		<u>12,986,318</u>		<u>20,325,797</u>		<u>27,495,901</u>		<u>28,827,649</u>
	<u>34,831,432</u>		<u>29,006,977</u>		<u>38,587,377</u>		<u>45,429,133</u>		<u>46,560,235</u>
	48,117,477		57,185,108		54,717,547		56,832,659		54,882,881
	6,000,135		6,836,486		6,763,746		6,874,406		7,372,250
	82,026		110,257		115,177		116,227		105,854
	1,751,066		1,795,342		1,880,951		1,898,269		1,998,850
	-		-		-		-		4,587,659
	-		-		-		-		94,582
	<u>7,106,651</u>		<u>3,483,388</u>		<u>10,797,849</u>		<u>14,745,211</u>		<u>96,783,997</u>
	<u>63,057,355</u>		<u>69,410,581</u>		<u>74,275,270</u>		<u>80,466,772</u>		<u>165,826,073</u>
\$	<u>97,888,787</u>	\$	<u>98,417,558</u>	\$	<u>112,862,647</u>	\$	<u>125,895,905</u>	\$	<u>212,386,308</u>

(continued)

**CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION – CONTINUED
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	2005	2006	2007	2008	2009
Net (Expenses) Revenue					
Governmental activities	\$ (26,403,513)	\$ (34,186,461)	\$ (55,808,929)	\$ (94,210,191)	\$ (47,224,554)
Business-type activities	19,974,248	27,572,385	16,208,461	13,837,311	27,042,610
Total primary government net expenses	<u>\$ (6,429,265)</u>	<u>\$ (6,614,076)</u>	<u>\$ (39,600,468)</u>	<u>\$ (80,372,880)</u>	<u>\$ (20,181,944)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 38,367,588	\$ 43,300,502	\$ 49,300,666	\$ 57,707,103	\$ 62,815,581
Sales and use taxes	12,179,328	14,030,309	16,189,172	17,683,376	17,124,800
Franchise taxes	6,918,032	8,661,620	8,462,571	9,633,525	9,724,093
Investment income	2,513,508	5,455,210	7,882,249	4,950,865	2,764,578
Gain on sale of capital assets	80,482	-	-	-	37,016
Miscellaneous	62,581	44,291	119,323	273,109	892,940
Contributions	(6,027,093)	-	-	-	-
Transfers	2,041,828	2,704,133	2,483,516	2,287,922	2,833,843
Prior period adjustment	-	-	1,857,835	-	-
Total governmental activities	<u>56,136,254</u>	<u>74,196,065</u>	<u>84,437,497</u>	<u>92,535,900</u>	<u>96,192,851</u>
Business-type activities:					
Investment income	1,164,701	2,621,448	3,688,586	2,315,647	1,318,112
Gain(loss) on sale of capital assets	24,808	-	32,147	50,510	10,704
Contributions	3,271,996	-	-	-	-
Transfers	(2,041,828)	(2,704,133)	(2,483,516)	(2,287,922)	(2,833,843)
Prior period adjustment	-	-	284,567	-	-
Total business-type activities	<u>2,419,677</u>	<u>(82,685)</u>	<u>1,521,784</u>	<u>78,235</u>	<u>(1,505,027)</u>
Total primary government	<u>\$ 58,555,931</u>	<u>\$ 74,113,380</u>	<u>\$ 85,959,281</u>	<u>\$ 92,614,135</u>	<u>\$ 94,687,824</u>
Change in Net Assets					
Governmental activities	\$ 29,732,741	\$ 40,009,604	\$ 28,628,568	\$ (1,674,291)	\$ 48,968,297
Business-type activities	22,393,925	27,489,700	17,730,245	13,915,546	25,537,583
Total primary government	<u>\$ 52,126,666</u>	<u>\$ 67,499,304</u>	<u>\$ 46,358,813</u>	<u>\$ 12,241,255</u>	<u>\$ 74,505,880</u>

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net assets reflect the omission of MCVB, which is now reported as a discretely presented component unit of the City.

TABLE 2

Fiscal Year				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (103,916,158)	\$ (99,372,088)	\$ (89,476,396)	\$ (87,292,202)	\$ (105,519,260)
10,918,014	15,382,213	18,153,934	19,965,123	93,808,473
<u>\$ (92,998,144)</u>	<u>\$ (83,989,875)</u>	<u>\$ (71,322,462)</u>	<u>\$ (67,327,079)</u>	<u>\$ (11,710,787)</u>
\$ 63,172,075	\$ 62,862,038	\$ 64,193,735	\$ 65,707,908	\$ 70,586,659
16,868,201	17,265,587	18,392,901	20,364,397	21,298,884
10,794,251	12,050,388	12,051,980	12,759,298	13,630,462
2,378,612	1,664,055	846,135	334,465	298,151
-	-	-	-	-
175,614	257,395	618,827	2,593,617	4,282,531
-	-	-	-	-
2,643,302	2,643,302	2,798,302	2,854,211	(15,104,793)
-	-	-	-	-
<u>96,032,055</u>	<u>96,742,765</u>	<u>98,901,880</u>	<u>104,613,896</u>	<u>94,991,894</u>
1,031,169	1,020,661	924,457	662,230	565,121
(37,436)	46,847	22,270	60,150	(851,572)
-	-	-	-	-
(2,643,302)	(2,643,302)	(2,798,302)	(2,854,211)	15,104,793
-	-	-	-	-
<u>(1,649,569)</u>	<u>(1,575,794)</u>	<u>(1,851,575)</u>	<u>(2,131,831)</u>	<u>14,818,342</u>
<u>\$ 94,382,486</u>	<u>\$ 95,166,971</u>	<u>\$ 97,050,305</u>	<u>\$ 102,482,065</u>	<u>\$ 109,810,236</u>
\$ (7,884,103)	\$ (2,629,323)	\$ 9,425,484	\$ 17,321,694	\$ (10,527,366)
9,268,445	13,806,419	16,302,359	17,833,292	108,626,815
<u>\$ 1,384,342</u>	<u>\$ 11,177,096</u>	<u>\$ 25,727,843</u>	<u>\$ 35,154,986</u>	<u>\$ 98,099,449</u>

(concluded)

**CITY OF MCKINNEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Non-spendable:					
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-	-
Land held for sale	-	-	-	-	-
Note receivable from component unit	-	-	-	-	-
Assigned:					
Insurance risk	-	-	-	-	-
OPEB	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved for:					
Inventory and prepaid items	573,578	523,923	764,432	885,780	1,054,833
Advance to other funds	1,005,000	725,000	725,000	589,000	-
Note receivable from component unit	2,135,000	1,695,000	1,240,000	775,000	10,355,000
Designated					
Insurance risk	-	3,682,374	2,472,273	2,291,879	1,600,559
Unreserved	31,615,982	38,086,490	40,316,555	39,998,634	28,838,279
Total general fund	\$ 35,329,560	\$ 44,712,787	\$ 45,518,260	\$ 44,540,293	\$ 41,848,671
All Other Governmental Funds					
Non-spendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Debt service	-	-	-	-	-
Street construction	-	-	-	-	-
Other capital projects funds	-	-	-	-	-
Law enforcement	-	-	-	-	-
Fire	-	-	-	-	-
Library	-	-	-	-	-
Community housing	-	-	-	-	-
Veterans Memorial Park	-	-	-	-	-
Hotel/Motel	-	-	-	-	-
Grants	-	-	-	-	-
Reserved for:					
Prepaid items	6,807	1,520	7,499	13,586	736,658
Debt service	960,697	1,737,689	2,054,266	2,494,512	2,734,212
Street construction	38,621,728	58,313,044	57,071,884	40,323,951	42,247,778
Capital projects funds	22,606,722	16,686,851	23,877,681	29,569,488	34,402,903
Unreserved, reported in:					
Special revenue funds	2,878,919	3,248,852	2,850,885	2,782,428	2,208,805
Total all other governmental funds	\$ 65,074,873	\$ 79,987,956	\$ 85,862,215	\$ 75,183,965	\$ 82,330,356

Source: Comprehensive Annual Financial Report

Note: The City implemented GASB Statement No 54 which amended fund balance classifications in 2011. In addition, beginning in 2011, fund balance reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

TABLE 3

Fiscal Year				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ -	\$ -	\$ 193,885	\$ 210,392	\$ 241,881
-	-	304,556	295,637	531,543
-	-	315,194	-	-
-	-	1,647,500	287,500	-
-	-	-	-	-
-	-	1,692,681	1,855,500	2,026,617
-	-	46,207,763	48,144,225	39,038,826
941,699	-	-	-	-
-	-	-	-	-
4,102,500	2,917,500	-	-	-
1,600,559	1,600,559	-	-	-
33,023,643	37,448,127	-	-	-
<u>\$ 39,668,401</u>	<u>\$ 41,966,186</u>	<u>\$ 50,361,579</u>	<u>\$ 50,793,254</u>	<u>\$ 41,838,867</u>
\$ -	\$ 423,897	\$ 18,976	\$ 16,174	\$ 19,817
-	1,261,454	1,719,641	2,240,054	2,917,011
-	31,356,277	31,346,331	33,107,139	30,631,205
-	36,523,123	36,259,889	46,153,392	50,015,128
-	164,887	549,780	768,113	855,456
-	26,858	23,983	35,664	40,567
-	384,855	168,894	242,609	248,630
-	65,005	56,485	90,025	85,617
-	-	6,371	16,109	15,412
-	-	309,242	513,456	779,686
-	150,292	395,946	335,943	349,064
570,994	-	-	-	-
1,891,142	-	-	-	-
33,628,327	-	-	-	-
45,431,706	-	-	-	-
1,975,456	-	-	-	-
<u>\$ 82,330,356</u>	<u>\$ 83,497,625</u>	<u>\$ 70,855,538</u>	<u>\$ 83,518,678</u>	<u>\$ 85,957,593</u>

**CITY OF MCKINNEY, TEXAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES					
Property taxes	\$ 38,209,386	\$ 43,188,169	\$ 49,491,145	\$ 57,723,642	\$ 62,832,495
Sales and use taxes	12,179,328	14,030,309	16,189,172	17,683,376	17,124,800
Franchise taxes	6,918,032	9,549,688	8,526,059	9,591,738	9,759,548
Licenses and permits	7,030,562	7,646,826	5,651,313	5,011,193	4,726,614
Intergovernmental	3,481,247	4,432,442	6,077,805	5,700,988	15,403,491
Charges for services	3,023,716	4,019,262	4,140,201	4,353,096	4,867,661
Fines and forfeitures	985,833	1,383,144	1,777,098	2,220,418	2,276,354
Investment income	2,513,508	5,455,210	7,882,249	5,343,879	2,741,843
Contributions	11,210,592	13,233,500	5,332,359	8,102,152	14,668,141
Miscellaneous	154,034	187,019	149,371	436,393	856,806
Total revenues	85,706,238	103,125,569	105,216,772	116,166,875	135,257,753
EXPENDITURES					
General government	10,887,570	13,412,203	14,913,949	16,966,335	19,366,493
Police	11,028,188	13,247,346	16,273,783	18,860,105	19,923,024
Fire	9,729,318	11,919,118	14,473,038	16,227,513	17,894,488
Libraries	2,138,239	2,233,304	2,349,242	2,489,144	2,638,350
Development	7,223,146	6,638,554	9,305,154	9,457,015	9,185,580
Parks and recreation	4,776,586	5,785,330	5,945,941	6,733,160	7,399,164
Public works	6,535,672	9,145,253	9,964,055	21,786,333	12,275,920
Airport	650,000	3,614,677	614,282	8,541,987	1,850,442
Capital outlay	34,561,215	41,031,431	35,697,217	50,500,331	52,493,363
Debt service:					
Principal retirement	6,889,362	6,168,369	6,722,708	8,370,008	9,905,035
Interest and fiscal charges	4,466,476	5,354,320	7,459,981	7,677,731	9,008,269
Total expenditures	98,885,772	118,549,905	123,719,350	167,609,662	161,940,128
Excess (deficiency) of revenues over (under) expenditures	(13,179,534)	(15,424,336)	(18,502,578)	(51,442,787)	(26,682,375)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	31,705,000	64,015,000	20,490,000	37,205,000	28,210,000
Deposit to escrow account	-	(27,926,115)	-	-	-
Premium on issuance of debt	411,233	347,801	56,933	-	-
Proceeds from capital lease	-	379,683	-	-	-
Proceeds from sale of property	241,065	30,897	294,026	293,648	93,301
Transfers in	5,132,157	4,979,364	6,460,890	4,662,194	4,813,797
Transfers out	(3,587,227)	(2,105,984)	(3,977,374)	(2,374,272)	(1,979,954)
Total other financing sources (uses)	33,902,228	39,720,646	23,324,475	39,786,570	31,137,144
Prior period adjustment	-	-	1,857,835	-	-
NET CHANGE IN FUND BALANCES	\$ 20,722,694	\$ 24,296,310	\$ 6,679,732	\$ (11,656,217)	\$ 4,454,769
Debt service as a percentage of noncapital expenditures	17.7%	14.9%	16.1%	13.7%	17.3%

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, activity reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

TABLE 4

Fiscal Year				
2010	2011	2012	2013	2014
\$ 62,960,439	\$ 62,717,460	\$ 64,194,518	\$ 66,252,931	\$ 70,362,574
16,926,949	17,265,587	18,342,838	20,335,968	21,278,009
10,731,125	11,941,486	12,113,230	12,725,594	13,696,854
4,809,193	4,692,292	7,204,700	8,154,941	8,168,583
4,400,346	5,861,390	5,656,795	5,832,483	5,405,262
5,846,806	6,040,354	5,892,485	4,957,547	5,074,643
1,990,092	2,183,023	2,507,707	2,499,512	2,191,902
2,387,670	1,284,718	846,135	330,063	291,194
6,000,759	5,224,780	7,438,881	10,030,426	12,053,759
255,221	265,146	661,477	282,923	367,552
<u>116,308,600</u>	<u>117,476,236</u>	<u>124,858,766</u>	<u>131,402,388</u>	<u>138,890,332</u>
22,098,360	20,785,693	19,020,719	19,336,330	30,876,833
20,145,964	19,655,184	20,285,700	22,036,551	24,603,118
17,959,131	17,930,235	17,302,735	19,409,153	21,004,629
2,909,708	2,781,727	2,775,484	2,826,451	2,868,747
9,159,668	8,512,495	8,119,293	8,750,307	9,617,376
7,145,909	7,275,824	6,954,994	7,504,161	7,804,340
13,286,420	10,610,792	10,882,395	11,097,574	12,150,458
2,655,115	565,000	565,000	613,513	-
29,483,890	22,264,775	13,503,040	16,299,213	34,224,581
10,848,562	9,980,000	10,390,000	10,755,000	10,810,000
9,679,110	10,254,116	9,466,819	8,823,139	9,304,662
<u>145,371,837</u>	<u>130,615,841</u>	<u>119,266,179</u>	<u>127,451,392</u>	<u>163,264,744</u>
<u>(29,063,237)</u>	<u>(13,139,605)</u>	<u>5,592,587</u>	<u>3,950,996</u>	<u>(24,374,412)</u>
25,295,000	-	14,670,000	24,925,000	56,370,000
-	-	(16,685,444)	(21,716,799)	(27,119,524)
-	-	2,127,248	3,019,430	3,687,285
-	-	-	-	-
111,934	105,911	205,236	61,977	25,972
3,548,163	3,385,024	4,505,981	9,866,340	9,022,444
(904,861)	(741,722)	(1,707,679)	(7,012,129)	(24,127,237)
<u>28,050,236</u>	<u>2,749,213</u>	<u>3,115,342</u>	<u>9,143,819</u>	<u>17,858,940</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (1,013,001)</u>	<u>\$ (10,390,392)</u>	<u>\$ 8,707,929</u>	<u>\$ 13,094,815</u>	<u>\$ (6,515,472)</u>
17.7%	18.7%	18.8%	17.6%	15.6%

**CITY OF MCKINNEY, TEXAS
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value^a	Total Direct Tax Rate
2005	\$ 4,362,694,614	\$ 1,621,362,851	\$ 1,107,370,436	\$ 844,204,688	\$ 6,247,223,213	0.59300
2006	4,968,430,438	1,930,626,833	1,148,679,747	959,983,795	7,087,753,223	0.58800
2007	5,795,848,917	2,118,454,275	1,384,973,885	1,079,023,763	8,220,253,314	0.58800
2008	6,791,710,804	2,484,651,531	1,625,116,907	1,252,624,142	9,648,855,100	0.58550
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	0.58550
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,113,059,042	10,778,425,163	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,069,689,217	10,784,701,943	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,053,445,216	10,931,670,279	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,138,054,947	11,035,645,222	0.58550
2014	8,912,765,220	2,923,157,524	1,197,788,548	1,022,663,004	12,011,048,288	0.58550

Source: City of McKinney Budget Document
 Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
 The County assesses property at 100% of its market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls
 Fiscal Year reports Certified Tax Report from prior calendar year

**CITY OF MCKINNEY, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 6

Fiscal Year	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	Obligation Debt Service	Total Direct	McKinney Independent School District	Allen Independent School District	Frisco Independent School District	Melissa Independent School District	Prosper Independent School District	Love Joy Independent School District	Collin County	Collin College District
2005	0.44132	0.15168	0.59300	2.00000	1.93335	1.55750	1.99000	1.95150	1.82340	0.25000	0.09065
2006	0.40900	0.17900	0.58800	2.00000	1.91246	1.63000	1.91000	1.97531	1.82340	0.25000	0.08942
2007	0.41817	0.16983	0.58800	1.84100	1.77510	1.58000	1.78000	1.80000	1.69340	0.24500	0.08768
2008	0.41923	0.16627	0.58550	1.51700	1.47030	1.35000	1.53500	1.67000	1.47630	0.24500	0.08698
2009	0.40650	0.17900	0.58550	1.51700	1.47030	1.37000	1.54000	1.67000	1.51500	0.24250	0.08649
2010	0.40650	0.17900	0.58550	1.54000	1.54000	1.39000	1.54000	1.64000	1.53500	0.24250	0.08630
2011	0.40650	0.17900	0.58550	1.52800	1.54000	1.39000	1.54000	1.63000	1.53500	0.24000	0.08630
2012	0.41220	0.17330	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.42179	0.16371	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2014	0.41220	0.17330	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364

Source: Collin Central Appraisal District

**CITY OF MCKINNEY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO (UNAUDITED)**

TABLE 7

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Encore Wire Limited	\$ 109,550,741	1	0.99%	\$ 32,298,324	5	0.58%
Raytheon TI Systems Inc	73,775,226	2	0.67%	30,743,333	6	0.55%
Columbia Medical Center of McKinney	58,018,725	3	0.53%	23,028,992	10	-
Oncor Electric Delivery Co	50,747,143	4	0.46%	46,721,523	1	0.84%
McKinney Towne Crossing LP	37,583,640	5	0.34%	-	-	-
Covington Cameron Acquisition LLC	37,213,122	6	0.34%	-	-	-
Saxon Woods Associates LP	34,166,833	7	0.31%	28,153,400	7	0.51%
Western Rim Investors	32,686,091	8	0.30%	-	-	-
Council 380 LLC	32,192,200	9	0.29%	-	-	-
Lowe's Home Improvement	32,112,196	10	0.29%	-	-	-
Cameron Crossings Investors, LTD	-	-	-	34,279,735	3	0.62%
BV Realty Partners LP	-	-	-	27,700,632	8	0.50%
Texas Instruments Inc	-	-	-	39,490,291	2	0.71%
The Greens at McKinney	-	-	-	34,035,730	4	0.61%
DR Horton - Texas, LTD	-	-	-	25,445,095	9	0.46%
Total	\$ 498,045,917		4.52%	\$ 321,897,055		5.38%

Source: Collin County Tax Assessor and Collector

Notes: ^a Taxpayers are assessed on January 1, 2012 (2011 tax year) for the 2013 fiscal year.

^b Taxpayers are assessed on January 1, 2003 (2002 tax year) for the 2004 fiscal year.

**CITY OF MCKINNEY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 8

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of levy		Amount	Percentage of levy
2005	\$ 37,763,635	\$ 37,039,384	98.08%	\$ 718,300	\$ 37,757,684	99.98%
2006	42,686,986	41,731,410	97.76%	894,750	42,626,160	99.86%
2007	48,607,924	47,974,805	98.70%	573,378	48,548,183	99.88%
2008	56,776,558	56,166,777	98.93%	582,074	56,748,851	99.95%
2009	62,280,815	61,576,965	98.87%	617,636	62,194,601	99.86%
2010	62,486,523	61,922,528	99.10%	472,060	62,394,588	99.85%
2011	62,492,355	61,901,919	99.06%	468,167	62,370,086	99.80%
2012	63,379,911	63,014,520	99.42%	247,615	63,262,135	99.81%
2013	64,503,109	64,302,483	99.69%	-	64,302,483	99.69%
2014	69,690,291	69,377,804	99.55%	-	69,377,804	99.55%

Source: Collin County Tax Assessor and Collector

**CITY OF MCKINNEY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 9

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations			
2005	\$ 81,845,000	\$ 39,330,000	\$ -	\$ 2,166,370	\$ 49,730,000	\$ 195,172	\$ 173,266,542	6.49%	1,829
2006	111,165,000	40,900,000	-	2,355,673	63,900,000	(140,832)	218,179,841	7.38%	2,081
2007	127,240,000	38,675,000	-	2,785,323	67,175,000	(81,853)	235,793,470	7.26%	2,047
2008	145,515,000	49,315,000	-	3,364,894	75,085,000	129,450	273,409,344	8.02%	2,260
2009	146,080,000	67,115,000	-	3,807,225	81,025,000	148,043	298,175,268	8.67%	2,442
2010	153,030,000	74,675,000	-	4,828,737	82,975,000	317,087	315,825,824	8.55%	2,409
2011	145,415,000	72,310,000	-	4,931,501	78,635,000	397,025	301,688,526	8.55%	2,409
2012	140,685,000	64,990,000	-	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	-	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,027,436	291,826,429	5.98%	1,964

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table 14 for personal income and population data.

**CITY OF MCKINNEY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 10

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total		
2005	\$ 81,845,000	\$ 39,330,000	\$ -	\$ 121,175,000	1.94%	1,279
2006	111,165,000	40,900,000	-	152,065,000	2.15%	1,450
2007	127,240,000	38,675,000	-	165,915,000	2.02%	1,440
2008	145,515,000	49,315,000	-	194,830,000	2.02%	1,610
2009	146,080,000	67,115,000	-	213,195,000	2.01%	1,746
2010	153,030,000	74,675,000	-	227,705,000	2.11%	1,737
2011	145,415,000	72,310,000	-	217,725,000	2.02%	1,737
2012	140,685,000	64,990,000	-	205,675,000	1.88%	1,512
2013	132,770,000	65,835,000	-	198,605,000	1.80%	1,410
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.82%	1,468

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

^aSee Table 5 for property value data.

^bSee Table 14 for population data.

**CITY OF MCKINNEY, TEXAS
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 11

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.5930	0.5880	0.5880	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855
Available Tax Rate	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

**CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2014 (UNAUDITED)**

TABLE 12

<u>Governmental Unit</u>	<u>Gross Bonded Debt</u>	<u>Estimated Percentage Applicable^a</u>	<u>McKinney Share of Overlapping Debt</u>
Debt repaid with property taxes			
McKinney ISD	\$ 515,515,956	89.930%	463,601,264
Collin College District	34,805,723	14.651%	5,099,509
Collin County	391,410,000	14.628%	57,256,425
Allen ISD	530,154,323	4.487%	23,789,090
Frisco ISD	1,581,733,571	13.515%	213,769,748
Melissa ISD	54,568,710	0.001%	476
Prosper ISD	267,875,581	20.848%	55,846,978
Lovejoy ISD	133,580,472	2.048%	2,735,549
Subtotal, overlapping debt	<u>\$3,509,644,336</u>		<u>\$ 822,099,037</u>
City of McKinney (direct debt)	225,586,046	100.00%	<u>\$ 225,586,046</u>
Total direct and overlapping debt			<u><u>\$ 1,047,685,083</u></u>

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: ^a The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF MCKINNEY, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 13

Water and Sewer System Revenue Bonds					
Fiscal Year	Total Revenues^a	Less: Operating Expenses^b	Net Available Revenue	Annual Requirement^c	Times Coverage
2005	\$ 32,446,505	\$ 20,993,205	\$ 11,453,300	\$ 3,794,613	3.02
2006	39,436,390	23,240,689	16,195,701	4,696,231	3.45
2007	38,406,298	26,743,067	11,663,231	4,820,870	2.42
2008	39,935,862	29,237,087	10,698,775	5,353,390	2.00
2009	46,584,797	32,157,583	14,427,214	5,744,594	2.51
2010	48,990,765	34,215,781	14,774,984	5,797,296	2.55
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63

Note: ^aIncludes operating and investment income.
^bIncludes operating expenses minus depreciation.
^cIncludes Principal and Interest (represents average annual requirement)

**CITY OF MCKINNEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS (UNAUDITED)**

TABLE 14

Year	Estimated Population^a	Personal Income^b	Per Capita Personal Income^a	Median Age^a	Median Household Income^a	School Enrollment^c	Unemployment Rate^d
2005	94,733	\$ 2,670,049,605	\$ 28,185	30.6	\$ 63,366	19,603	4.40%
2006	104,853	2,955,281,805	28,185	30.6	63,366	21,161	4.40%
2007	115,198	3,246,855,630	28,185	30.6	63,366	22,307	4.10%
2008	120,978	3,409,764,930	28,185	30.6	63,366	23,310	4.70%
2009	122,083	3,440,909,355	28,185	30.6	63,366	23,889	7.40%
2010	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	33.0	81,118	24,791	4.50%

Sources: ^a Source Data: US Census Bureau

^b Personal income calculated by multiplying estimated population by per capita personal income.

^c Source Data: McKinney Independent School District

^d Source Data: Texas Workforce Commission for month ending September

**CITY OF MCKINNEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO (UNAUDITED)**

TABLE 15

Employer	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Raytheon Space & Airborne Systems	3,600	1	4.86%	2,000	1	4.28%
McKinney ISD	3,147	2	4.25%	1,880	2	4.03%
Collin County	1,815	3	2.45%	1,500	3	3.21%
Torchmark / United American Ins. (TMK)	1,100	4	1.49%	550	10	1.18%
Encore Wire Corp.	1,000	5	1.35%	800	7	1.71%
City of McKinney	949	6	1.28%	607	9	1.30%
Medical Center of McKinney	938	7	1.27%	730	8	1.56%
Collin College	558	8	0.75%	-	-	-
Baylor Medical Center	550	9	0.74%	-	-	-
Blockbuster Entertainment Group	-	-	-	1,415	4	3.03%
Timber Blind Manufacturing Co.	425	10	0.57%	330	9	0.71%
Lattimore Materials	-	-	-	1,050	5	2.25%
Wal-Mart Stores (2)	-	-	-	950	6	2.03%
Total	14,082		19.01%	11,812		25.29%

Source: Top ten employers and employee count provided by McKinney Chamber of Commerce. Total City Employment provided by Texas Workforce Commission (TWC).

CITY OF MCKINNEY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 16

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government	62.5	71.0	80.5	88.5	90.5	104.5	103.0	95.5	95.5	100.5
Police	142.0	157.0	173.0	192.0	203.0	208.0	207.0	206.0	213.0	236.0
Fire	111.2	129.2	147.2	166.2	167.2	167.2	167.7	164.5	167.5	171.5
Libraries	28.0	30.1	31.1	31.1	38.7	37.7	35.3	32.8	38.0	38.6
Development	81.1	95.1	109.1	114.6	112.6	105.1	93.6	81.1	78.1	92.0
Parks and recreation	64.0	74.5	81.5	83.5	84.5	81.5	84.0	85.0	87.0	87.0
Public works	43.8	56.3	57.8	67.0	60.7	61.7	61.7	61.7	61.4	66.9
Water/wastewater	62.0	64.0	69.0	77.3	79.7	77.7	74.7	74.7	73.0	77.4
Surface water drainage	1.0	-	-	-	11.0	11.0	11.0	11.0	11.0	14.3
Solid Waste	5.5	3.5	4.0	9.0	10.0	12.0	12.0	12.0	12.0	13.0
Total^a	601.1	680.7	753.2	829.2	857.8	866.3	850.0	824.3	836.5	897.1

Source: City of McKinney Budget Book

^a Excludes: McKinney Airport (MADC), Economic Development (MEDC), Community Development (MCDC), and Visitor's Bureau (MCVB) employees

**CITY OF MCKINNEY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police					
Number of police officers	124	136	149	158	161
Number of violations (citations) ^a	15,367	23,779	22,413	27,804	30,623
Fire					
Number of fire fighters	94	130	149	150	151
Number of fire suppression runs	2,300	2,550	2,750	2,950	3,109
Number of EMS runs	4,400	4,923	5,500	6,100	6,800
Development Services					
Construction permits issued ^b	8,945	11,296	6,970	5,539	4,154
Estimated valuation ^b	\$713,222,782	\$785,799,209	\$601,907,826	\$480,774,997	\$772,318,950
Public Works					
Streets paved (miles)	10	8	8	8	9
Street signs repaired/installed	1,200	1,872	1,876	2,000	2,500
Parks and Recreation					
Park land and municipal acreage maintained	1,000	1,100	1,144	1,566	1,566
Rounds of golf	36,592	37,500	35,000	35,878	36,000
Library					
Volumes in collection ^c	112,612	123,828	136,054	149,406	177,800
Annual circulation	600,147	627,664	630,000	652,675	660,000
Water and Wastewater					
Number of water customers	31,723	34,901	38,200	39,590	40,498
Average daily water consumption (millions of gallons)	18.2	23.5	19.3	23.2	23.0
Maximum storage capacity (million of gallons)	20.0	22.0	42.0	42.0	44.0
Solid Waste					
Recyclables collected (tons)	4,543	10,534	15,120	17,145	17,670
Solid waste collected (tons)	113,251	119,995	123,150	129,310	135,026

Source: City Departments

- Note:**
- ^a Basis for issued citation reconciliation adjusted in FY11
 - ^b Includes residential, commercial, and miscellaneous permits (i.e. pools, fences)
 - ^c Includes books and media.

TABLE 17

Fiscal Year				
2010	2011	2012	2013	2014
161	161	161	187	188
33,729	18,754 ^a	17,366	14,944	16,966
151	151	153	159	161
3,239	3,598	2,883	3,536	4,571
7,100	6,180	6,936	6,554	7,170
3,816	4,316	6,461	5,607	5,920
\$533,916,212	\$469,799,412	\$722,830,462	\$843,390,781	\$876,066,508
9	11	15	13	-
2,500	1,671	1,260	1,299	1,750
1,566	1,708	1,834	1,834	1,834
35,000	33,064	34,400	35,121	31,400
210,000	219,704	227,585	232,814	232,814
900,000	1,095,739	1,179,539	1,205,789	1,205,789
41,853	42,946	44,644	46,791	49,456
22.7	28.5	28.5	26.7	24.0
44.0	44.0	44.0	44.0	46.0
13,438	13,572	10,972	12,550	23,480
121,565	114,936	117,586	124,488	127,467

**CITY OF MCKINNEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 18

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units ^a	35	46	46	65	82	110	120	120	126	141
Motorcycle Units	8	7	8	11	9	8	8	8	7	7
Skywatch Towers	-	-	-	-	-	1	2	2	2	2
Trailers	-	-	-	-	-	-	-	-	-	4
Fire										
Stations	5	5	6	6	7	8	8	8	8	8
Public Works										
Streets-Paved (miles)	453.0	594.0	623.0	625.0	625.0	739.7	745.6	755.4	760.9	728.7
Streets-Graded (miles)	39.0	39.0	39.0	39.0	39.0	16.0	16.0	16.0	16.0	15.6
Streets-Unimproved (miles)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	3.5
Alleys (miles)	163.0	80.0	80.0	80.0	80.0	78.0	78.0	78.0	71.2	78.0
Street lights (Including US 75)	4,200	4,612	4,662	4,760	4,760	4,760	5,901	5,901	6,147	6,333
Parks and Recreation										
Park Acreage	1,200	1,303	1,674	1,862	2,025	2,025	2,025	2,082	2,432	2,247
Public Parks	28	31	32	34	36	36	36	39	40	39
Municipal Golf Course ^b	1	1	1	1	1	1	1	1	1	1
Community/Recreation Centers	3	3	3	3	3	3	3	3	3	3
Public Swimming Pools	3	3	3	3	3	3	3	3	3	3
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	2	2	2	2	13	13	13
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	1	1	1	1	2	2	2	2
Ice Rink ^b	-	-	-	-	-	1.00	1	1	1	1
Library	1	1	1	1	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	20.0	22.0	42.0	42.0	44.0	44.0	44.0	44.0	46.0	46.0
Water Mains (miles)	534.0	624.0	680.0	737.0	765.0	770.0	787.0	806.0	820.0	1020.0
Fire Hydrants	4,879	5,525	6,100	6,529	7,388	6,688	7,007	7,473	7,734	7,823
Storm Sewer (miles)	203.0	203.0	213.0	257.0	257.0	257.0	266.0	396.0	406.0	428.0
Sanitary Sewers (miles)	459.0	502.0	520.0	582.0	605.0	610.0	630.0	620.0	662.0	672.0
Airport										
Dedicated airport property (acres)	581	661	661	661	661	745	745	745	745	745
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150

Source: City Departments

Note: ^a Per Police Department
^b City owned, privately operated