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**CITY OF MCKINNEY, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2011**

DRAFT

**AS PREPARED BY THE  
FINANCE DEPARTMENT**



**City of McKinney  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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# **INTRODUCTORY SECTION**



Unique by nature.<sup>SM</sup>





**CITY OF MCKINNEY**  
**Finance Department**  
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March 6, 2012

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, 2011, is hereby submitted in accordance with Section 48 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, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of McKinney financial statements for the year ended September 30, 2011. 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 62.8 square miles and serves a population of over 136,666. 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 three-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, tourism activities, 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. Discretely presented component units are legally separate entities and not part of the primary government's operations. The McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Airport Development Corporation (MADC), and McKinney Convention and Visitors Bureau (MCVB) 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. In the August 2010 issue of Money Magazine, McKinney ranked # 5 on the Best Places to Live in the country. McKinney, Texas, has made an appearance in many rankings lately: safest cities in the state and country, fastest growing cities in the country, and best places to raise a family. Most recently, McKinney was named one of the 25 Best Places to Move in the country by Forbes.com. McKinney is rich with industry – medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 1000 corporations to home-grown businesses. The impressive list includes: Raytheon TI Systems, Inc., Lattimore Materials, Medical Center of McKinney, Encore Wire Corp, Torchmark/United American Ins., Watson & Chalin, and Blockbuster Video Inc.

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 164-year old city center continues to serve as a thriving retail, dining, entertainment and business destination. Downtown offers a vibrant atmosphere and unique retail, office, arts, entertainment, residential, restaurant and leisure opportunities for residents and visitors to enjoy. The town square includes over 120 businesses within the commercial historic district, including the Grand Hotel, a 46 room boutique hotel, along with charming and quaint bed and breakfast destinations nestled between eateries, entertainment options and shopping.

The City partners with others such as the Collin County Regional Airport, the McKinney Community Development Corporation (MCDC) and the McKinney Economic Development Corporation (MEDC) to help spur quality business growth. 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**

Ending fund balance in the general fund (of total general fund revenues) exceeds the policy requirement of three months of operating expenses as set by the City Council. The City will maintain the percentage of the tax rate allocated to the general fund at a minimum of 65% level. In addition, the City of McKinney will continue to annually evaluate the need to issue debt using the five-year capital improvement plan and stay within the guidelines of the approved debt policy.

As previously mentioned, the City of McKinney has a five-year financial plan and a five-year capital improvement plan. Major capital improvement plans for FY2012 include: airport projects on replacement runway; parks and recreation projects at Gabe Nesbitt and Bonnie Wenk Parks; street, utility and drainage projects throughout the city and along US highways; and water and sewer projects on Hardin Elevated Storage Tank.

## **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, risk 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.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All agencies of the City of McKinney are required to submit requests for appropriation to the Director of Strategic Planning and Budget on or before June 1<sup>st</sup> each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August 15<sup>th</sup>. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30<sup>th</sup>, the close of the City of McKinney'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. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## MAJOR INITIATIVES

For Fiscal Year 2011-12, major project initiatives for the City of McKinney include: airport replacement runway and airport tower, parkland acquisition, Ridge Road – South of US 380, Custer Road – Stonebridge Drive to US 380, Lake Forest Drive – US 380 to Wilmeth Road, US 75 construction by TxDOT, The Courts at Gabe Nesbitt Park tennis complex and Veterans Memorial Park.

## AWARDS AND ACKNOWLEDGEMENTS

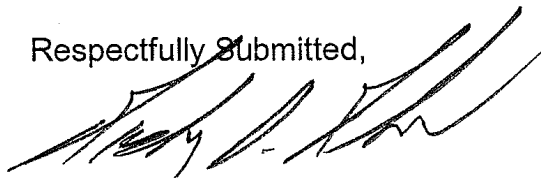
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2010. This was the twenty-seventh consecutive year that the government 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.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2010. This is the twenty-seventh 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.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and with the assistance of staff in the Strategic Planning and Budget 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 Finance 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,



Rodney D. Rhoades  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McKinney  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

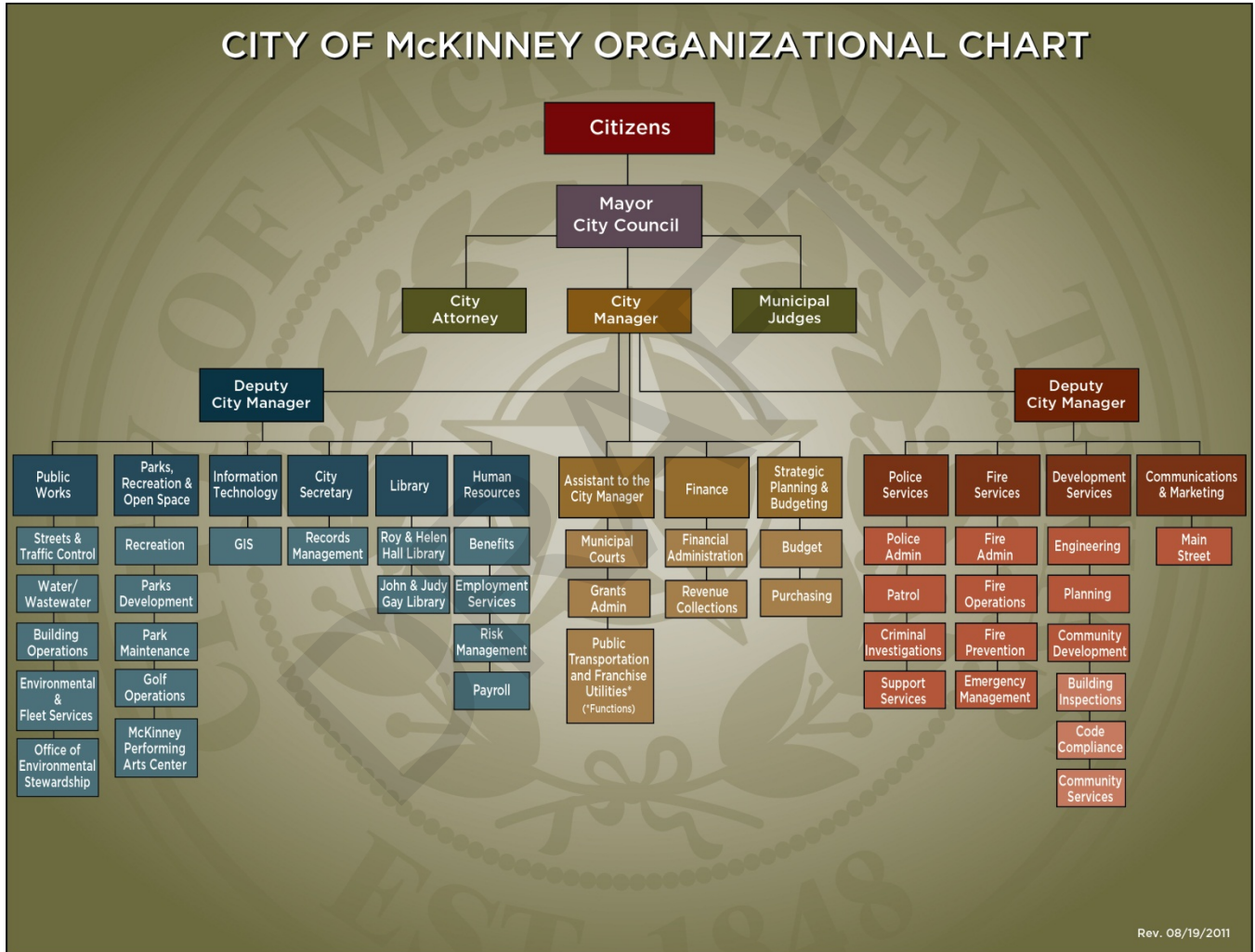
President

*Jeffrey R. Emmer*

Executive Director



# CITY OF MCKINNEY ORGANIZATION FY 2010-2011



# **CITY OF MCKINNEY, TEXAS CITY OFFICIALS**

## **CITY COUNCIL**

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

## **CITY MANAGER**

Jason Gray

## **DEPUTY CITY MANAGERS**

Rick Chaffin  
Joe Williams

## **DIRECTOR OF FINANCE**

Rodney Rhoades



# **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of McKinney, Texas

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administration. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, 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.

As discussed in Note 1(L) to the basic financial statements, the City implemented Government Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2012, 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* and should be considered in assessing the results of our audit.

City of McKinney  
March 1, 2012

Page 2

The accompanying Management's Discussion and Analysis (on pages 3 through 13) and the schedules of funding progress for the Texas Municipal Retirement System and Other Postemployment Benefits (on pages 75 and 76) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
March 1, 2012

## 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, 2011. 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 of the City of McKinney exceeded its liabilities at September 30, 2011 by \$676 million (Net Assets). Of this amount, \$494 million (73%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net assets restricted for specific purposes total \$44 million (7%). The remaining \$138 million (20%) are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net assets increased by \$11 million. Unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by \$7 million.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$112 million, a decrease of \$10.8 million in comparison to the prior year. Approximately \$35.5 million, or 32%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, \$1 million is non-spendable for inventory and prepaid items and \$3 million is for notes from component units. \$1 million is restricted for debt service, \$68 million is for street construction and other capital projects, and fund balance of \$1 million in the special revenue funds contains grant and other spending restrictions. \$3 million has been assigned for OPEB and insurance risk and the remaining \$35.5 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 41% of total general fund expenditures. This represents 16% more than the fund balance policy requirement.
- On a government-wide basis, the City's total liabilities decreased by \$17 million (5%) during the current fiscal year. The key factor in this decrease was a reduction in bonds payable and accounts payable.

### 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 assets presents information on all of the City of McKinney's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets 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 Assets 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 four separate legal entities in its report – the McKinney Economic Development Corporation, McKinney Community Development Corporation, the McKinney Convention and Visitors Bureau, and McKinney 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 fourteen 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, and street construction fund, all of which are considered to be major funds. Data from the other eleven 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 and debt service fund. Budgetary comparison statements have been provided for the general fund and the debt service fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-25.

- **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 Assets and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City does not utilize any 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 four individual enterprise funds to account for its water and wastewater, solid waste, golf course, and surface water drainage. The water and wastewater fund is considered a major fund, 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 26-29.

- **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 Assets. 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 30.

**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 34-73.

**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 75-76.

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 81-105 of this report.

### III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets exceeded liabilities by \$676 million as of September 30, 2011.

By far the largest portion of the City's net assets, \$494 million (73%) 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 assets (\$44 million, or 7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$138 million, or 20%) 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 assets, 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 assets for governmental activities and business type activities are summarized as follows:

**Table 1**  
**Net Assets**  
**(in Millions)**

|   | <b>Governmental Activities</b> |                | <b>Business Type Activities</b> |                | <b>Total</b>   |                |
|---|--------------------------------|----------------|---------------------------------|----------------|----------------|----------------|
|   | <b>FY 2011</b>                 | <b>FY 2010</b> | <b>FY 2011</b>                  | <b>FY 2010</b> | <b>FY 2011</b> | <b>FY 2010</b> |
| Current and other assets                            | \$ 131                         | \$ 142         | \$ 88                           | \$ 88          | \$ 219         | \$ 230         |
| Capital assets                                      | 491                            | 494            | 287                             | 279            | 778            | 773            |
| <b>Total Assets</b>                                 | <b>622</b>                     | <b>636</b>     | <b>375</b>                      | <b>367</b>     | <b>997</b>     | <b>1,003</b>   |
| Long-term liabilities outstanding                   | 211                            | 221            | 74                              | 79             | 285            | 300            |
| Other liabilities                                   | 26                             | 27             | 10                              | 11             | 36             | 38             |
| <b>Total Liabilities</b>                            | <b>237</b>                     | <b>248</b>     | <b>84</b>                       | <b>90</b>      | <b>321</b>     | <b>338</b>     |
| <b>Net Assets</b>                                   |                                |                |                                 |                |                |                |
| Invested in capital assets<br>(net of related debt) | 285                            | 290            | 209                             | 187            | 494            | 477            |
| Restricted  | 36                             | 36             | 8                               | 7              | 44             | 43             |
| Unrestricted  | 64                             | 62             | 74                              | 83             | 138            | 145            |
| <b>Total Net Assets</b>                             | <b>\$ 385</b>                  | <b>\$ 388</b>  | <b>\$ 291</b>                   | <b>\$ 277</b>  | <b>\$ 676</b>  | <b>\$ 665</b>  |

Overall, there was a \$17 million increase in the City's net assets invested in capital assets net of related debt. \$22 million of the increase related to business-type activities throughout the year, where construction projects outpaced debt issued in the current fiscal year.



The City of McKinney's net assets increased by \$11 million during the current fiscal year, a decrease in governmental net assets of \$3 million and an increase in business-type activities of \$14 million. Details are listed in the table below.

**Changes in Net Assets  
(in Thousands)**

|   | Governmental<br>Activities |                   | Business Type<br>Activities |                   | Total             |                   |
|---|----------------------------|-------------------|-----------------------------|-------------------|-------------------|-------------------|
|   | FY 2011                    | FY 2010           | FY 2011                     | FY 2010           | FY 2011           | FY 2010           |
| <b>Revenues:</b>  |                            |                   |                             |                   |                   |                   |
| Program revenues:   |                            |                   |                             |                   |                   |                   |
| Charges for services                                      | \$ 13,248                  | \$ 12,010         | \$ 65,927                   | \$ 55,951         | \$ 79,175         | \$ 67,961         |
| Operating grants and contributions                        | 2,772                      | 2,606             | -                           | -                 | 2,772             | 2,606             |
| Capital grants and contributions                          | 12,986                     | 20,350            | 3,483                       | 7,106             | 16,469            | 27,456            |
| General revenues:   |                            |                   |                             |                   |                   |                   |
| Property taxes  | 62,862                     | 63,172            | -                           | -                 | 62,862            | 63,172            |
| Sales taxes   | 17,266                     | 16,372            | -                           | -                 | 17,266            | 16,372            |
| Franchise taxes   | 12,051                     | 10,794            | -                           | -                 | 12,051            | 10,794            |
| Investment income   | 1,664                      | 2,375             | 1,021                       | 1,031             | 2,685             | 3,406             |
| Other revenues  | 258                        | 217               | 47                          | 26                | 305               | 243               |
| <b>Total revenues</b>                                     | <u>123,107</u>             | <u>127,896</u>    | <u>70,478</u>               | <u>64,114</u>     | <u>193,585</u>    | <u>192,010</u>    |
| <b>Expenses:</b>  |                            |                   |                             |                   |                   |                   |
| General government  | 23,110                     | 29,245            | -                           | -                 | 23,110            | 29,245            |
| Police  | 20,671                     | 21,277            | -                           | -                 | 20,671            | 21,277            |
| Fire  | 19,773                     | 19,829            | -                           | -                 | 19,773            | 19,829            |
| Libraries   | 3,040                      | 3,179             | -                           | -                 | 3,040             | 3,179             |
| Development   | 8,778                      | 8,933             | -                           | -                 | 8,778             | 8,933             |
| Parks and recreation                                      | 9,864                      | 9,215             | -                           | -                 | 9,864             | 9,215             |
| Public works  | 32,416                     | 33,614            | -                           | -                 | 32,416            | 33,614            |
| Interest on long-term debt                                | 10,162                     | 10,242            | -                           | -                 | 10,162            | 10,242            |
| Airport   | 565                        | 2,655             | -                           | -                 | 565               | 2,655             |
| Water/Wastewater  | -                          | -                 | 46,104                      | 44,084            | 46,104            | 44,084            |
| Solid Waste   | -                          | -                 | 6,066                       | 6,214             | 6,066             | 6,214             |
| Golf Course   | -                          | -                 | 224                         | 258               | 224               | 258               |
| Surface Water Drainage                                    | -                          | -                 | 1,634                       | 1,583             | 1,634             | 1,583             |
| <b>Total expenses</b>                                     | <u>128,379</u>             | <u>138,189</u>    | <u>54,028</u>               | <u>52,139</u>     | <u>182,407</u>    | <u>190,328</u>    |
| <b>Increase (decrease) in net assets before transfers</b> | <u>(5,272)</u>             | <u>(10,293)</u>   | <u>16,450</u>               | <u>11,975</u>     | <u>11,178</u>     | <u>1,682</u>      |
| <b>Transfers</b>  | <u>2,643</u>               | <u>2,643</u>      | <u>(2,643)</u>              | <u>(2,643)</u>    | <u>-</u>          | <u>-</u>          |
| <b>Increase (decrease) in net assets</b>                  | <u>(2,629)</u>             | <u>(7,650)</u>    | <u>13,807</u>               | <u>9,332</u>      | <u>11,178</u>     | <u>1,682</u>      |
| <b>Net Assets - Beginning</b>                             | <u>387,504</u>             | <u>395,154</u>    | <u>276,854</u>              | <u>267,522</u>    | <u>664,358</u>    | <u>662,676</u>    |
| <b>Net Assets - Ending</b>                                | <u>\$ 384,875</u>          | <u>\$ 387,504</u> | <u>\$ 290,661</u>           | <u>\$ 276,854</u> | <u>\$ 675,536</u> | <u>\$ 664,358</u> |

**Governmental activities.**

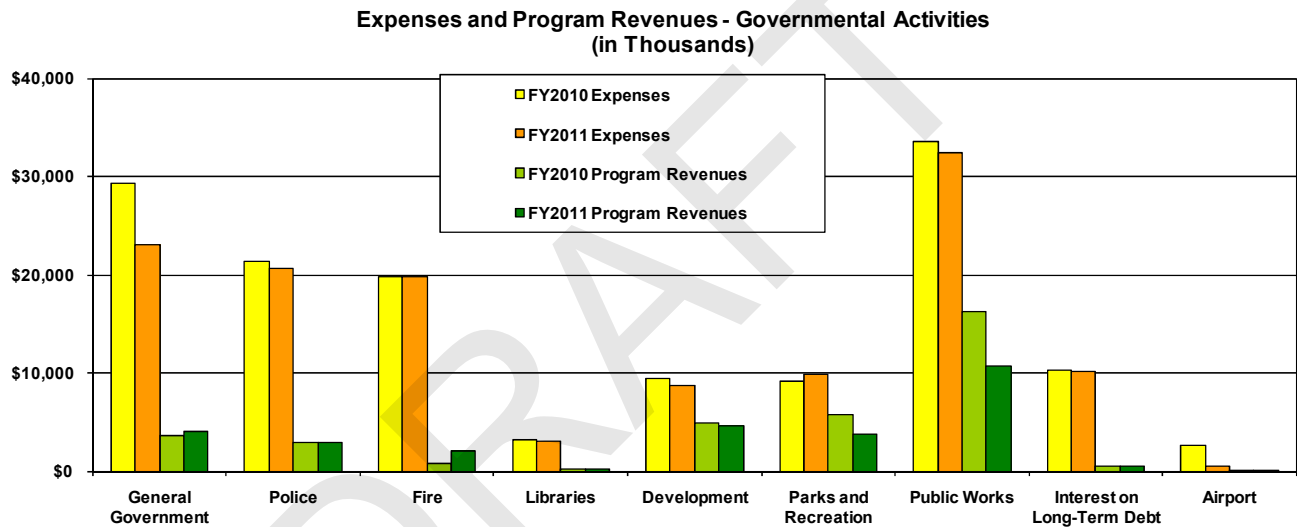
Governmental activities decreased the City's net assets by \$3 million during the current fiscal year. The key elements of this decrease are as follows:

Revenues

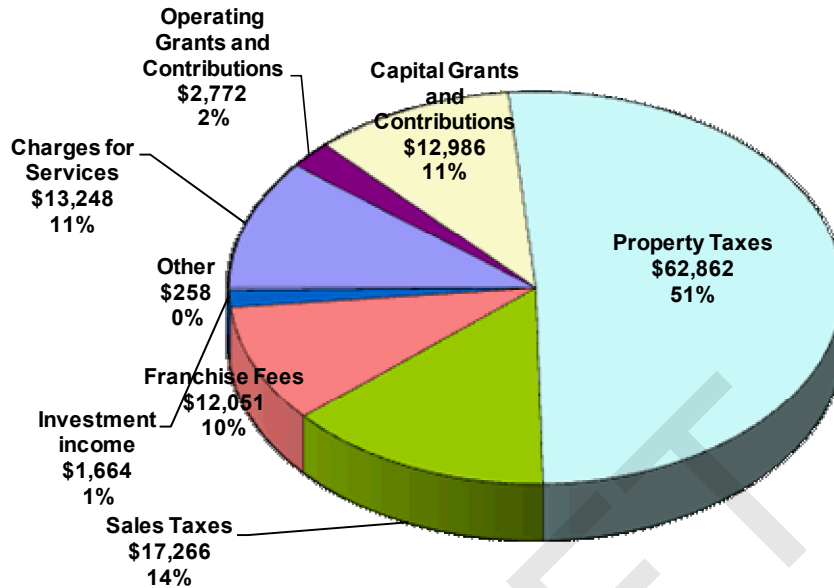
- Capital grants and contributions totaled \$12.9 million, a decrease of \$7.4 million. Due to the economic status of the nation, there have been significant reductions in donated and contributed infrastructure from developers and intergovernmental grants.

Expenses

- Total expenses decreased because of less spending in capital improvement projects and lower than anticipated expenditures for government operations.



### Revenues by Source - Governmental Activities (in Thousands)



### Business-type activities.

Business-type activities increased the City of McKinney’s net assets by \$13.8 million, accounting for the majority of the increase in the government’s net assets. Key elements of this increase are as follows:

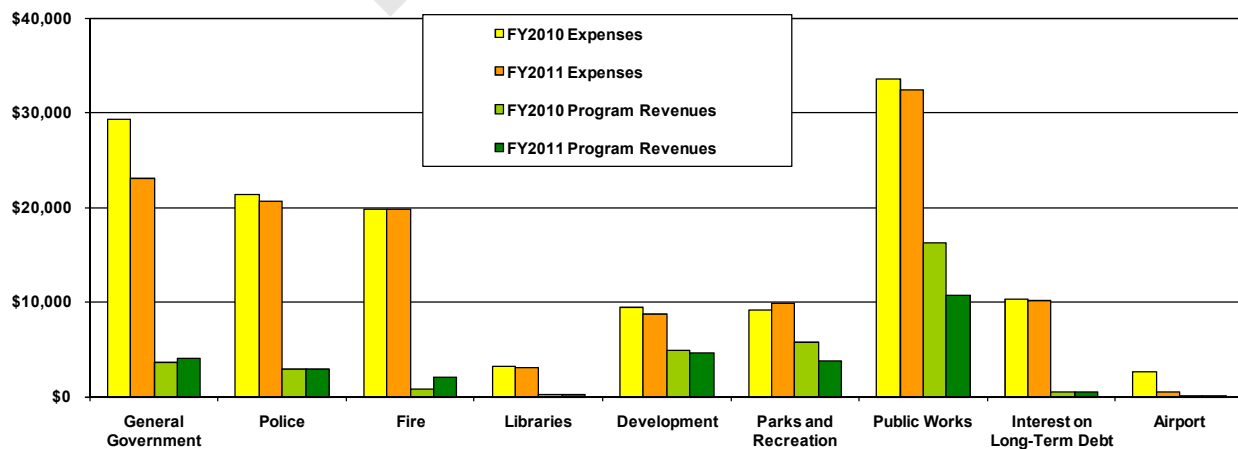
#### Revenues

- Charges for Services were \$66.0 million and increased by \$10 million.

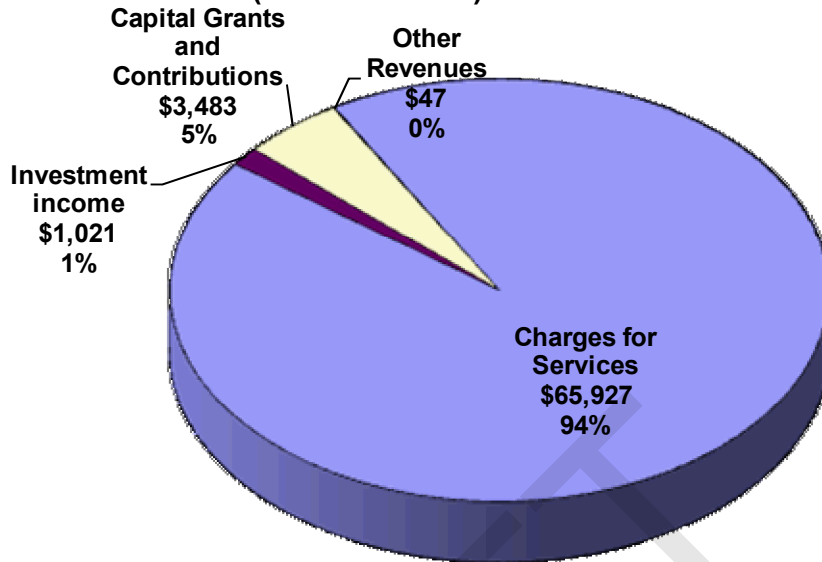
#### Expenses

- Expenses in water/wastewater increased \$2.1 million mainly due to the increase in charges on water purchases and sewer service charges from North Texas Municipal Water District.

### Expenses and Program Revenues - Governmental 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 \$112 million, a decrease of \$10.8 million or (8%) in comparison to the prior year. Approximately \$35.5 million or 32% 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 \$35.5 million, while total fund balance was \$42.0 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 41% of total general fund expenditures.

The general fund balance increased by \$2.4 million or 6% during the current fiscal year. Key factors for this increase are as follows:

- Franchise Fees increased \$1.2 million
- Miscellaneous Revenues increased \$0.8 million due to a sales tax refund.

**Debt Service Fund.** The debt service fund had a total fund balance of \$1.3 million and was restricted for the payment of debt. There was a net decrease of \$0.6 million in fund balance during the current year. The decrease 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 \$31.4 million. Total expenditures for the current year were \$7.6

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: Ridge Road – South of US 380, Custer Road – Stonebridge Drive to US 380, Lake Forest Drive – US 380 to Wilmeth Road, and US 75 construction by TxDOT.

**Facilities Improvement Fund.** The Facilities Improvement Fund is a non-major governmental capital project fund. It had an ending fund balance of \$7.9 million. Total expenditures for the current year were \$6.6 million. Major expenditures incurred during the current year were: The Courts at Gabe Nesbitt Park tennis complex and Veterans Memorial Park.

### **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, 2011, net assets of the proprietary funds included the following amounts of unrestricted net assets:

**Water and Wastewater Fund.** Water and Wastewater Fund net assets increased by \$13.1 million. Operating revenues totaled \$57.2 million, an increase of \$9.1 million or 19%. This was mainly due to the increase of the water and sewer rate. Operating expenses in the Water and Wastewater Fund were \$42.3 million, an increase of \$1.9 million or 5% over the prior year. This increase was primarily due to payments to North Texas Municipal Water District (NTMWD) for water purchases and sewer service charges.

**Solid Waste Fund.** The City's Solid Waste Fund net assets increased by \$0.7 million. Operating revenues totaled \$6.8 million, an increase of \$0.8 million. Expenses were at \$6.1 million, a decrease of \$0.1 million.

**Golf Course Fund.** The Golf Course Fund had an operating loss of about \$0.1 million. Revenues were about \$0.1 million which was the contract fee. Expense was primarily depreciation at \$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 \$0.2 million. Charges for services increased slightly from \$1.75 million to \$1.80 million.

### **General Fund Budgetary Highlights**

The actual FY2010-11 expenditures were \$86.5 million, \$5 million less than the projected \$91.5 million. Personnel cost reductions can be attributed to the savings.

Actual revenues were \$87 million, an increase of \$1.5 million over the \$85.5 million budget plan. Both franchise fees and licenses/permits revenues can be attributed primarily to this increase.

## **IV. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** At the end of the fiscal year, the City had \$778 million invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, police and fire equipment. This amount represents a net increase (including additions and deductions) of \$5 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 2011                 | FY 2010           | FY 2011                  | FY 2010           | FY 2011           | FY 2010           |
| Land                     | \$ 13,724               | \$ 13,595         | \$ 6,525                 | \$ 6,525          | \$ 20,249         | \$ 20,120         |
| Buildings                | 78,718                  | 72,544            | 9,629                    | 9,933             | 88,347            | 82,477            |
| Infrastructure           | 301,000                 | 315,230           | 224,226                  | 226,155           | 525,226           | 541,385           |
| Machinery and equipment  | 21,935                  | 15,348            | 3,646                    | 1,891             | 25,581            | 17,239            |
| Construction in progress | 75,334                  | 76,804            | 43,313                   | 35,100            | 118,647           | 111,904           |
| <b>Total</b>             | <b>\$ 490,711</b>       | <b>\$ 493,521</b> | <b>\$ 287,339</b>        | <b>\$ 279,604</b> | <b>\$ 778,050</b> | <b>\$ 773,125</b> |

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

| Project                               | (\$ in Thousands) |
|---------------------------------------|-------------------|
| The Courts Tennis Complex             | 2,053             |
| Lake Forest Dr – US 380 to Wilmeth Rd | 1,794             |
| Bloomdale Rd (E of 75)                | 1,462             |
| Ridge Rd – South US 380               | 776               |
| Veterans Memorial                     | 653               |

**Long-term Debt.** At year end, the City had \$296 million in general obligation bonds and certificates of obligation and revenue bonds. The total debt was \$311 million at the end of the prior fiscal year. This represents a decrease of 5%. All outstanding debt is summarized below:

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

|   | Governmental Activities |                  | Business Type Activities |                 | Total            |                  |
|---|-------------------------|------------------|--------------------------|-----------------|------------------|------------------|
|   | FY 2011                 | FY 2010          | FY 2011                  | FY 2010         | FY 2011          | FY 2010          |
| General obligation bonds and certificates of obligations (backed by the City) | \$217,725               | \$227,705        | \$ -                     | \$ -            | \$217,725        | \$227,705        |
| Revenue bonds (backed by fee revenues)  | -                       | -                | 78,635                   | 82,975          | 78,635           | 82,975           |
| <b>Totals</b>   | <b>\$217,725</b>        | <b>\$227,705</b> | <b>\$78,635</b>          | <b>\$82,975</b> | <b>\$296,360</b> | <b>\$310,680</b> |

The City's general obligation bonds and revenue bonds were re-confirmed at AA+ by Standard and Poor's Corporation. Bond rating from Moody's Investor Services also remained the same at Aa2 for general obligation bonds and Aa3 for water works revenue bonds.

Additional information on the long-term debt can be found in the note (3)G to the financial statements.

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

Although the economy is the primary factor, City's elected and appointed officials considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for the business-type activities.

The property tax rate for fiscal year 2012 remains the same at \$0.5855 per \$100 assessed value. The homestead exemptions for elderly and disabled persons are fifty thousand dollars.

At the close of the fiscal year 2011, the unassigned general fund balance increased \$2.5 million to \$35.5 million. The use of available fund balance is intended to support operational expenses.

For fiscal year 2011, the water rate and wastewater rates are increased. The water volume rate has increased from \$3.03 to \$3.17 per thousand gallons for all commercial customers and residential, sprinkler/irrigation customers with consumption of up to 20,000 gallons. The water volume rate for residential and sprinkler/irrigation customers is at \$3.96 per thousand gallons if the monthly consumption exceeds 20,000 gallons and \$4.75 per thousand gallons for residential and sprinkler/irrigation consumption over 40,000 gallons. Wastewater rate per thousand gallons of water used has increased from \$3.15 to \$3.24. The solid waste charge for residential households remains at \$15.36. This rate includes 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 Director of Finance, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.

DRAFT





# **BASIC FINANCIAL STATEMENTS**



**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

|  | Primary Government         |                             |                       | Component<br>Units   |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |                      |
| <b>ASSETS</b>  |                            |                             |                       |                      |
| Cash and cash equivalents                            | \$ 90,321,609              | \$ 14,394,632               | \$ 104,716,241        | \$ 25,476,031        |
| Investments  | 24,420,716                 | 6,005,383                   | 30,426,099            | 5,068,600            |
| Receivables (net of allowance<br>for uncollectibles) | 10,315,113                 | 11,233,112                  | 21,548,225            | 3,025,947            |
| Internal balances                                    | 560,895                    | (560,895)                   | -                     | -                    |
| Due from other governments                           | 1,148,922                  | 650,840                     | 1,799,762             | 47,766               |
| Note receivable from component unit                  | 2,917,500                  | 5,177,500                   | 8,095,000             | -                    |
| Inventory  | 146,060                    | 287,832                     | 433,892               | -                    |
| Prepaid items  | 674,812                    | -                           | 674,812               | 38,097               |
| Deferred charges                                     | 858,947                    | 509,303                     | 1,368,250             | 154,922              |
| Restricted assets:                                   |                            |                             |                       |                      |
| Cash and cash equivalents                            | -                          | 24,766,604                  | 24,766,604            | 3,719,747            |
| Investments  | -                          | 25,127,454                  | 25,127,454            | -                    |
| Accrued interest receivable                          | -                          | 136,527                     | 136,527               | -                    |
| Capital assets:                                      |                            |                             |                       |                      |
| Non depreciable                                      | 89,058,568                 | 49,838,243                  | 138,896,811           | 64,070,505           |
| Depreciable (net)                                    | 401,652,010                | 237,500,453                 | 639,152,463           | 18,313,479           |
| <b>Total Assets</b>                                  | <b>622,075,152</b>         | <b>375,066,988</b>          | <b>997,142,140</b>    | <b>119,915,094</b>   |
| <b>LIABILITIES</b>                                   |                            |                             |                       |                      |
| Accounts payable                                     | 4,636,769                  | 2,071,945                   | 6,708,714             | 2,128,459            |
| Other accrued liabilities                            | 6,828,164                  | 1,131,460                   | 7,959,624             | 22,231               |
| Estimated health claims                              | 1,283,912                  | -                           | 1,283,912             | -                    |
| Unearned Revenue                                     | 54,185                     | -                           | 54,185                | -                    |
| Accrued interest payable                             | 1,456,671                  | 144,717                     | 1,601,388             | 85,559               |
| Deposits   | 283,560                    | 2,026,279                   | 2,309,839             | 17,714               |
| Non Current Liabilities:                             |                            |                             |                       |                      |
| Due within one year:                                 |                            |                             |                       |                      |
| Note payable to primary government                   | -                          | -                           | -                     | 1,270,000            |
| Compensated absences                                 | 939,982                    | 73,231                      | 1,013,213             | 17,400               |
| Bonds payable  | 10,275,000                 | 4,385,000                   | 14,660,000            | 900,000              |
| Arbitrage payable                                    | -                          | 197,539                     | 197,539               | -                    |
| Due in more than one year:                           |                            |                             |                       |                      |
| Note payable to primary government                   | -                          | -                           | -                     | 6,825,000            |
| Compensated absences                                 | 3,466,874                  | 270,092                     | 3,736,966             | 64,172               |
| Premium on issuance                                  | 442,782                    | 100,791                     | 543,573               | -                    |
| Advanced refunding                                   | (346,726)                  | (244,628)                   | (591,354)             | -                    |
| OPEB liability                                       | 428,589                    | -                           | 428,589               | -                    |
| Bonds payable  | 207,450,000                | 74,250,000                  | 281,700,000           | 15,560,000           |
| <b>Total Liabilities</b>                             | <b>237,199,762</b>         | <b>84,406,426</b>           | <b>321,606,188</b>    | <b>26,890,535</b>    |
| <b>NET ASSETS</b>                                    |                            |                             |                       |                      |
| Invested in capital assets<br>(net of related debt)  | 284,785,050                | 208,847,556                 | 493,632,606           | 66,210,215           |
| Restricted for:                                      |                            |                             |                       |                      |
| Use of impact fees                                   | 4,061,242                  | 2,704,125                   | 6,765,367             | -                    |
| Highways and streets                                 | 31,376,277                 | -                           | 31,376,277            | -                    |
| Debt service   | 219,454                    | 4,980,679                   | 5,200,133             | 410,328              |
| Grants   | 65,005                     | -                           | 65,005                | -                    |
| Unrestricted   | 64,368,362                 | 74,128,202                  | 138,496,564           | 26,404,016           |
| <b>Total Net Assets</b>                              | <b>\$ 384,875,390</b>      | <b>\$ 290,660,562</b>       | <b>\$ 675,535,952</b> | <b>\$ 93,024,559</b> |

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, 2011**

| Function/Program Activities           | Program Revenues      |                      |                                    |
|---------------------------------------|-----------------------|----------------------|------------------------------------|
|                                       | Expenses              | Charges for Services | Operating Grants and Contributions |
| <b>Primary Government:</b>            |                       |                      |                                    |
| Governmental Activities:              |                       |                      |                                    |
| General government                    | \$ 23,110,420         | \$ 2,999,584         | \$ 1,017,412                       |
| Police                                | 20,670,697            | 2,676,107            | 398,887                            |
| Fire                                  | 19,772,826            | 1,919,405            | 179,469                            |
| Libraries                             | 3,039,839             | 95,033               | 89,819                             |
| Development                           | 8,777,957             | 3,958,584            | 637,495                            |
| Parks and recreation                  | 9,864,370             | 1,071,536            | 444,561                            |
| Public works                          | 32,416,388            | -                    | -                                  |
| Interest on long-term debt            | 10,161,568            | 528,000              | -                                  |
| Airport                               | 565,000               | -                    | 4,767                              |
| <b>Total governmental activities</b>  | <b>128,379,065</b>    | <b>13,248,249</b>    | <b>2,772,410</b>                   |
| Business-type activities:             |                       |                      |                                    |
| Water/wastewater                      | 46,104,008            | 57,185,108           | -                                  |
| Solid waste                           | 6,066,387             | 6,836,486            | -                                  |
| Golf course                           | 224,175               | 110,257              | -                                  |
| Surface water drainage                | 1,633,798             | 1,795,342            | -                                  |
| <b>Total business-type activities</b> | <b>54,028,368</b>     | <b>65,927,193</b>    | <b>-</b>                           |
| <b>Total primary government</b>       | <b>\$ 182,407,433</b> | <b>\$ 79,175,442</b> | <b>\$ 2,772,410</b>                |
| <b>Component units:</b>               |                       |                      |                                    |
| Governmental Activities:              |                       |                      |                                    |
| McKinney Economic Development Corp    | \$ 6,414,098          | \$ 537,723           | \$ -                               |
| McKinney Community Development Corp   | 9,682,662             | 831,789              | -                                  |
| McKinney Convention & Visitors Bureau | 551,589               | -                    | -                                  |
| <b>Total governmental activities</b>  | <b>16,648,349</b>     | <b>1,369,512</b>     | <b>-</b>                           |
| Business-type activities:             |                       |                      |                                    |
| McKinney Airport Development Corp     | 1,783,547             | 533,804              | 612,895                            |
| <b>Total component units</b>          | <b>\$ 18,431,896</b>  | <b>\$ 1,903,316</b>  | <b>\$ 612,895</b>                  |

General revenues:  
  Property taxes  
  Sales taxes  
  Franchise taxes  
  Investment income  
  Gain on sale of capital assets  
  Miscellaneous  
Transfers

**Total general revenues and transfers**

Change in net assets  
Net assets - beginning, as restated  
Net assets - ending

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

| <b>Net (Expense) Revenue and Changes in Net Assets</b> |                                    |                                     |                        |                            |          |
|--|------------------------------------|-------------------------------------|------------------------|----------------------------|----------|
| <b>Primary Government</b>                              |                                    |                                     |                        |                            |          |
| <b>Capital<br/>Grants and<br/>Contributions</b>        | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>           | <b>Component<br/>Units</b> |          |
| \$ -   | \$ (19,093,424)                    | \$ -                                | \$ (19,093,424)        | \$ -                       | -        |
| -  | (17,595,703)                       | -                                   | (17,595,703)           | -                          | -        |
| -  | (17,673,952)                       | -                                   | (17,673,952)           | -                          | -        |
| -  | (2,854,987)                        | -                                   | (2,854,987)            | -                          | -        |
| -  | (4,181,878)                        | -                                   | (4,181,878)            | -                          | -        |
| 2,293,451  | (6,054,822)                        | -                                   | (6,054,822)            | -                          | -        |
| 10,692,867   | (21,723,521)                       | -                                   | (21,723,521)           | -                          | -        |
| -  | (9,633,568)                        | -                                   | (9,633,568)            | -                          | -        |
| -  | (560,233)                          | -                                   | (560,233)              | -                          | -        |
| <u>12,986,318</u>                                      | <u>(99,372,088)</u>                | <u>-</u>                            | <u>(99,372,088)</u>    | <u>-</u>                   | <u>-</u> |
| 3,483,388  | -                                  | 14,564,488                          | 14,564,488             | -                          | -        |
| -  | -                                  | 770,099                             | 770,099                | -                          | -        |
| -  | -                                  | (113,918)                           | (113,918)              | -                          | -        |
| -  | -                                  | 161,544                             | 161,544                | -                          | -        |
| <u>3,483,388</u>                                       | <u>-</u>                           | <u>15,382,213</u>                   | <u>15,382,213</u>      | <u>-</u>                   | <u>-</u> |
| <u>\$ 16,469,706</u>                                   | <u>\$ (99,372,088)</u>             | <u>\$ 15,382,213</u>                | <u>\$ (83,989,875)</u> | <u>\$ -</u>                | <u>-</u> |
| \$ -   | \$ -                               | \$ -                                | \$ -                   | \$ (5,876,375)             | -        |
| -  | -                                  | -                                   | -                      | (8,850,873)                | -        |
| -  | -                                  | -                                   | -                      | (551,589)                  | -        |
| -  | -                                  | -                                   | -                      | (15,278,837)               | -        |
| <u>10,829,253</u>                                      | <u>-</u>                           | <u>-</u>                            | <u>-</u>               | <u>10,192,405</u>          | <u>-</u> |
| <u>\$ 10,829,253</u>                                   | <u>\$ -</u>                        | <u>\$ -</u>                         | <u>\$ -</u>            | <u>\$ (5,086,432)</u>      | <u>-</u> |
|  | \$ 62,862,038                      | \$ -                                | \$ 62,862,038          | \$ -                       | -        |
|  | 17,265,587                         | -                                   | 17,265,587             | 16,768,783                 | -        |
|  | 12,050,388                         | -                                   | 12,050,388             | -                          | -        |
|  | 1,664,055                          | 1,020,661                           | 2,684,716              | 239,283                    | -        |
|  | -                                  | 46,847                              | 46,847                 | -                          | -        |
|  | 257,394                            | -                                   | 257,394                | 9,719                      | -        |
|  | <u>2,643,302</u>                   | <u>(2,643,302)</u>                  | <u>-</u>               | <u>-</u>                   | <u>-</u> |
|  | <u>96,742,764</u>                  | <u>(1,575,794)</u>                  | <u>95,166,970</u>      | <u>17,017,785</u>          | <u>-</u> |
|  | <u>(2,629,324)</u>                 | <u>13,806,419</u>                   | <u>11,177,095</u>      | <u>11,931,353</u>          | <u>-</u> |
|  | <u>387,504,714</u>                 | <u>276,854,143</u>                  | <u>664,358,857</u>     | <u>81,093,206</u>          | <u>-</u> |
|  | <u>\$ 384,875,390</u>              | <u>\$ 290,660,562</u>               | <u>\$ 675,535,952</u>  | <u>\$ 93,024,559</u>       | <u>-</u> |

**CITY OF MCKINNEY, TEXAS  
BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

|  | <u>General</u>       | <u>Debt Service</u> |
|--|----------------------|---------------------|
| <b>ASSETS</b>                                      |                      |                     |
| Cash and cash equivalents                          | \$ 30,431,524        | \$ 1,262,043        |
| Investments  | 11,700,082           | -                   |
| Receivables (net of allowance for uncollectibles): |                      |                     |
| Delinquent property taxes                          | 1,004,212            | 437,746             |
| Accounts   | 2,902,968            | -                   |
| Other taxes and fees                               | 5,843,770            | -                   |
| Accrued interest                                   | 61,119               | -                   |
| Other receivable                                   | -                    | -                   |
| Due from other funds                               | 760,895              | -                   |
| Due from other governments                         | 85,026               | -                   |
| Note receivable from component unit                | 2,917,500            | -                   |
| Inventory  | 146,060              | -                   |
| Prepaid items                                      | 250,915              | -                   |
| <b>Total Assets</b>                                | <u>\$ 56,104,071</u> | <u>\$ 1,699,789</u> |
| <b>LIABILITIES AND FUND BALANCES</b>               |                      |                     |
| <b>LIABILITIES:</b>                                |                      |                     |
| Accounts payable                                   | \$ 2,561,107         | \$ 23,664           |
| Other accrued liabilities                          | 5,284,783            | -                   |
| Estimated health claims                            | 1,283,912            | -                   |
| Deposits   | 283,560              | -                   |
| Due to other funds                                 | -                    | -                   |
| Deferred revenue:                                  |                      |                     |
| Delinquent property taxes                          | 951,893              | 414,671             |
| Accounts   | 2,745,826            | -                   |
| Other taxes  | 1,026,804            | -                   |
| <b>Total liabilities</b>                           | <u>14,137,885</u>    | <u>438,335</u>      |
| <b>FUND BALANCES:</b>                              |                      |                     |
| NONSPENDABLE:                                      |                      |                     |
| Inventory  | 146,060              | -                   |
| Prepaid items                                      | 250,915              | -                   |
| Note receivable from component unit                | 2,917,500            | -                   |
| RESTRICTED:  |                      |                     |
| Debt service                                       | -                    | 1,261,454           |
| Street construction                                | -                    | -                   |
| Other capital projects funds                       | -                    | -                   |
| Law enforcement                                    | -                    | -                   |
| Fire   | -                    | -                   |
| Library  | -                    | -                   |
| Community housing                                  | -                    | -                   |
| Grants   | -                    | -                   |
| ASSIGNED:  |                      |                     |
| OPEB   | 1,530,120            | -                   |
| Insurance risk                                     | 1,600,559            | -                   |
| UNASSIGNED   | 35,521,032           | -                   |
| <b>Total fund balances</b>                         | <u>41,966,186</u>    | <u>1,261,454</u>    |
| <b>Total liabilities and fund balances</b>         | <u>\$ 56,104,071</u> | <u>\$ 1,699,789</u> |

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

| <u>Street Construction</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|----------------------------|---------------------------------|---------------------------------|
| \$ 21,581,029              | \$ 37,047,013                   | \$ 90,321,609                   |
| 11,220,334                 | 1,500,300                       | 24,420,716                      |
| -                          | -                               | 1,441,958                       |
| -                          | 19,269                          | 2,922,237                       |
| -                          | -                               | 5,843,770                       |
| 30,704                     | 10,325                          | 102,148                         |
| -                          | 5,000                           | 5,000                           |
| -                          | -                               | 760,895                         |
| 54,619                     | 1,009,277                       | 1,148,922                       |
| -                          | -                               | 2,917,500                       |
| -                          | -                               | 146,060                         |
| -                          | 423,897                         | 674,812                         |
| <u>\$ 32,886,686</u>       | <u>\$ 40,015,081</u>            | <u>\$ 130,705,627</u>           |
| <br>                       |                                 |                                 |
| \$ 448,666                 | \$ 1,603,332                    | \$ 4,636,769                    |
| 1,081,743                  | 461,638                         | 6,828,164                       |
| -                          | -                               | 1,283,912                       |
| -                          | -                               | 283,560                         |
| -                          | 200,000                         | 200,000                         |
| -                          | -                               | 1,366,564                       |
| -                          | 11,194                          | 2,757,020                       |
| -                          | -                               | 1,026,804                       |
| <u>1,530,409</u>           | <u>2,276,164</u>                | <u>18,382,793</u>               |
| <br>                       |                                 |                                 |
| -                          | -                               | 146,060                         |
| -                          | 423,897                         | 674,812                         |
| -                          | -                               | 2,917,500                       |
| -                          | -                               | 1,261,454                       |
| 31,356,277                 | -                               | 31,356,277                      |
| -                          | 36,523,123                      | 36,523,123                      |
| -                          | 164,887                         | 164,887                         |
| -                          | 26,858                          | 26,858                          |
| -                          | 384,855                         | 384,855                         |
| -                          | 65,005                          | 65,005                          |
| -                          | 150,292                         | 150,292                         |
| -                          | -                               | 1,530,120                       |
| -                          | -                               | 1,600,559                       |
| -                          | -                               | 35,521,032                      |
| <u>31,356,277</u>          | <u>37,738,917</u>               | <u>112,322,834</u>              |
| <u>\$ 32,886,686</u>       | <u>\$ 40,015,081</u>            | <u>\$ 130,705,627</u>           |





**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

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|   |                              |
|---|------------------------------|
| Total fund balance-governmental funds.  | \$ 112,322,834               |
| 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.                                     | 858,947                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.                                      | 760,267,958                  |
| Accumulated depreciation has not been included in the governmental fund financial statements.   | (269,557,380)                |
| Accrued liabilities for compensated absences have not been reflected in the fund financial statements.  | (4,406,856)                  |
| Bonds payable and contractual obligations have not been included in the governmental fund financial statements.   | (217,725,000)                |
| 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.     | 346,726                      |
| OPEB liability has not been included in the governmental fund financial statements.   | (428,589)                    |
| Premiums on issuance of debt were not recognized on the balance sheet for governmental funds.   | (442,782)                    |
| Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.                                   | 5,096,203                    |
| 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>(1,456,671)</u>           |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <u><u>\$ 384,875,390</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 BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>General</u>       | <u>Debt Service</u> |
|--|----------------------|---------------------|
| <b>REVENUES</b>                                      |                      |                     |
| Property taxes                                       | \$ 43,675,704        | \$ 19,041,756       |
| Sales and use taxes                                  | 17,265,587           | -                   |
| Franchise fees                                       | 11,941,486           | -                   |
| Licenses and permits                                 | 4,692,292            | -                   |
| Intergovernmental                                    | 242,755              | -                   |
| Charges for services                                 | 5,507,587            | 528,000             |
| Fines and forfeitures                                | 2,121,957            | -                   |
| Investment income                                    | 650,061              | 34,672              |
| Contributions  | 487,197              | -                   |
| Miscellaneous  | 248,634              | -                   |
| <b>Total Revenues</b>                                | <u>86,833,260</u>    | <u>19,604,428</u>   |
| <b>EXPENDITURES</b>                                  |                      |                     |
| Current:   |                      |                     |
| General government                                   | 19,922,581           | -                   |
| Police   | 19,359,484           | -                   |
| Fire   | 17,894,838           | -                   |
| Libraries  | 2,750,742            | -                   |
| Development  | 7,824,917            | -                   |
| Parks and recreation                                 | 7,087,592            | -                   |
| Public works   | 10,132,516           | -                   |
| Airport  | 565,000              | -                   |
| Debt Service:  |                      |                     |
| Principal retirement                                 | -                    | 9,980,000           |
| Interest and fiscal charges                          | -                    | 10,254,116          |
| Capital Expenditures:                                |                      |                     |
| General government                                   | 24,701               | -                   |
| Police   | 398,316              | -                   |
| Fire   | 132,354              | -                   |
| Libraries  | -                    | -                   |
| Development  | 32,915               | -                   |
| Parks and recreation                                 | 66,559               | -                   |
| Public works   | 297,815              | -                   |
| <b>Total expenditures</b>                            | <u>86,490,330</u>    | <u>20,234,116</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>342,930</u>       | <u>(629,688)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                     |
| Proceeds from sale of property                       | 105,911              | -                   |
| Transfers in   | 2,590,066            | -                   |
| Transfers out  | (741,122)            | -                   |
| <b>Total other financing sources (uses)</b>          | <u>1,954,855</u>     | <u>-</u>            |
| Net change in fund balances                          | 2,297,785            | (629,688)           |
| Fund balances, beginning of year, as restated        | 39,502,585           | 1,891,142           |
| Change in accounting principle                       | 165,816              | -                   |
| Fund balances, end of year                           | <u>\$ 41,966,186</u> | <u>\$ 1,261,454</u> |

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

| <b>Street<br/>Construction</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--------------------------------|---|---|
| \$ -                           | \$ -                                    | \$ 62,717,460                           |
| -                              | -                                       | 17,265,587                              |
| -                              | -                                       | 11,941,486                              |
| -                              | -                                       | 4,692,292                               |
| 2,818,090                      | 2,800,545                               | 5,861,390                               |
| -                              | 4,767                                   | 6,040,354                               |
| -                              | 61,066                                  | 2,183,023                               |
| 375,124                        | 224,861                                 | 1,284,718                               |
| 2,176,040                      | 2,561,543                               | 5,224,780                               |
| -                              | 16,512                                  | 265,146                                 |
| <b>5,369,254</b>               | <b>5,669,294</b>                        | <b>117,476,236</b>                      |
| -                              | 863,112                                 | 20,785,693                              |
| -                              | 295,700                                 | 19,655,184                              |
| -                              | 35,397                                  | 17,930,235                              |
| -                              | 30,985                                  | 2,781,727                               |
| -                              | 687,578                                 | 8,512,495                               |
| -                              | 188,232                                 | 7,275,824                               |
| 478,276                        | -                                       | 10,610,792                              |
| -                              | -                                       | 565,000                                 |
| -                              | -                                       | 9,980,000                               |
| -                              | -                                       | 10,254,116                              |
| -                              | 7,050,086                               | 7,074,787                               |
| -                              | 98,767                                  | 497,083                                 |
| -                              | 86,520                                  | 218,874                                 |
| -                              | 5,995                                   | 5,995                                   |
| -                              | -                                       | 32,915                                  |
| -                              | 5,324,281                               | 5,390,840                               |
| 7,163,028                      | 1,583,436                               | 9,044,279                               |
| <b>7,641,304</b>               | <b>16,250,089</b>                       | <b>130,615,839</b>                      |
| <b>(2,272,050)</b>             | <b>(10,580,795)</b>                     | <b>(13,139,603)</b>                     |
| -                              | -                                       | 105,911                                 |
| -                              | 794,958                                 | 3,385,024                               |
| -                              | (600)                                   | (741,722)                               |
| -                              | 794,358                                 | 2,749,213                               |
| <b>(2,272,050)</b>             | <b>(9,786,437)</b>                      | <b>(10,390,390)</b>                     |
| 33,628,327                     | 47,691,170                              | 122,713,224                             |
| -                              | (165,816)                               | -                                       |
| <b>\$ 31,356,277</b>           | <b>\$ 37,738,917</b>                    | <b>\$ 112,322,834</b>                   |

**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, 2011**

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|   |                              |
|---|------------------------------|
| Net change in fund balances- total governmental funds.  | \$ (10,390,390)              |
| 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 2011 capital outlays is to increase net assets.           | 22,264,773                   |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.   | (29,560,320)                 |
| 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.             | 9,980,000                    |
| 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.   | 212,907                      |
| Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements.   | (99,824)                     |
| 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 assets.   | (227,610)                    |
| 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.   | (241,506)                    |
| 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.  | 57,870                       |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.   | 588,419                      |
| Arbitrage liabilities are accrued at the government-wide level, but not at the fund level. The current year change in the liability is reported as a reduction of expenses in the statement of activities.  | 379,337                      |
| 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. | 4,704,077                    |
| Amortization of deferred refunding amounts is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets.   | (78,405)                     |
| 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.   | (218,652)                    |
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <u><u>\$ (2,629,324)</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, 2011**

|   | Budgeted Amounts     |                      | Actual Amount        | Variance with Final Budget - Positive (Negative) |
|---|----------------------|----------------------|----------------------|--|
|   | Original             | Final                |                      |  |
| <b>REVENUES</b>                                   |                      |                      |                      |  |
| Property taxes                                    | \$ 43,489,862        | \$ 43,850,839        | \$ 43,675,704        | (\$175,135)                                      |
| Sales and use taxes                               | 16,637,500           | 16,520,000           | 17,265,587           | 745,587  |
| Franchise fees                                    | 10,611,000           | 11,416,332           | 11,941,486           | 525,154  |
| Licenses and permits                              | 4,441,900            | 4,259,940            | 4,692,292            | 432,352  |
| Intergovernmental                                 | 119,500              | 203,529              | 242,755              | 39,226   |
| Charges for services                              | 5,447,376            | 5,370,466            | 5,507,587            | 137,121  |
| Fines and forfeitures                             | 2,169,027            | 2,078,887            | 2,121,957            | 43,070   |
| Investment income                                 | 1,002,400            | 927,603              | 650,061              | (277,542)  |
| Contributions                                     | 523,399              | 501,812              | 487,197              | (14,615)   |
| Miscellaneous                                     | 93,500               | 216,618              | 248,634              | 32,016   |
| <b>Total revenues</b>                             | <b>84,535,464</b>    | <b>85,346,026</b>    | <b>86,833,260</b>    | <b>1,487,234</b>                                 |
| <b>EXPENDITURES</b>                               |                      |                      |                      |  |
| Current Expenditures:                             |                      |                      |                      |  |
| General government                                | 21,820,217           | 22,192,440           | 19,922,581           | 2,269,859  |
| Police  | 20,742,478           | 20,381,109           | 19,359,484           | 1,021,625  |
| Fire  | 18,175,959           | 18,608,537           | 17,894,838           | 713,699  |
| Libraries   | 2,995,374            | 2,928,076            | 2,750,742            | 177,334  |
| Development                                       | 8,537,221            | 8,877,297            | 7,824,917            | 1,052,380  |
| Parks and recreation                              | 7,397,511            | 7,314,137            | 7,087,592            | 226,545  |
| Public works                                      | 10,106,264           | 9,837,105            | 10,132,516           | (295,411)  |
| Payments to component unit                        | 565,000              | 565,000              | 565,000              | -  |
| Capital Expenditures:                             |                      |                      |                      |  |
| General government                                | -                    | 171,964              | 24,701               | 147,263  |
| Police  | -                    | 70,232               | 398,316              | (328,084)  |
| Fire  | -                    | 124,025              | 132,354              | (8,329)  |
| Development                                       | 35,000               | 35,000               | 32,915               | 2,085  |
| Parks and recreation                              | 50,800               | 50,800               | 66,559               | (15,759)   |
| Public works                                      | 146,500              | 368,126              | 297,815              | 70,311   |
| <b>Total expenditures</b>                         | <b>90,572,324</b>    | <b>91,523,848</b>    | <b>86,490,330</b>    | <b>5,033,518</b>                                 |
| Excess (deficiency) of revenues over expenditures | (6,036,860)          | (6,177,822)          | 342,930              | 6,520,752  |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                      |                      |                      |  |
| Proceeds from sale of property                    | 50,000               | 106,000              | 105,911              | (89)   |
| Transfers in                                      | 2,590,066            | 2,590,066            | 2,590,066            | -  |
| Transfers out                                     | (1,007,804)          | (746,122)            | (741,122)            | 5,000  |
| <b>Total other financing sources (uses)</b>       | <b>1,632,262</b>     | <b>1,949,944</b>     | <b>1,954,855</b>     | <b>4,911</b>                                     |
| Net change in fund balances                       | (4,404,598)          | (4,227,878)          | 2,297,785            | 6,525,663  |
| Fund balances, beginning of year                  | 39,502,585           | 39,502,585           | 39,502,585           | -  |
| Change in accounting principle                    | -                    | -                    | 165,816              | 165,816  |
| Fund balances, end of year                        | <b>\$ 35,097,987</b> | <b>\$ 35,274,707</b> | <b>\$ 41,966,186</b> | <b>\$ 6,691,479</b>                              |

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

**CITY OF MCKINNEY , TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011**

|   | <b>Business-type Activities - Enterprise Funds</b> |                               |                      |
|---|--|-------------------------------|----------------------|
|   | <b>Water and Wastewater</b>                        | <b>Other Enterprise Funds</b> | <b>Total</b>         |
| <b>ASSETS</b>   |  |                               |                      |
| Current assets:   |  |                               |                      |
| Cash and cash equivalents                                     | \$ 7,801,978                                       | \$ 6,592,654                  | \$ 14,394,632        |
| Investments   | 6,005,383  | -                             | 6,005,383            |
| Restricted assets:  |  |                               |                      |
| Cash and cash equivalents                                     | 24,756,604   | 10,000                        | 24,766,604           |
| Receivables (net of allowance for uncollectibles)             | 9,041,691  | 2,175,630                     | 11,217,321           |
| Accrued interest receivable                                   | 15,791   | -                             | 15,791               |
| Due from other funds  | 8,058  | -                             | 8,058                |
| Notes receivable- interfund                                   | -  | 1,016,268                     | 1,016,268            |
| Notes receivable- component unit                              | -  | 5,177,500                     | 5,177,500            |
| Due from other governments                                    | 650,840  | -                             | 650,840              |
| Inventory   | 286,306  | 1,526                         | 287,832              |
| <b>Total current assets</b>                                   | <b>48,566,651</b>                                  | <b>14,973,578</b>             | <b>63,540,229</b>    |
| Non-current assets:   |  |                               |                      |
| Restricted assets:  |  |                               |                      |
| Investments   | 25,127,454   | -                             | 25,127,454           |
| Accrued interest receivable                                   | 136,527  | -                             | 136,527              |
| <b>Total restricted assets</b>                                | <b>25,263,981</b>                                  | <b>-</b>                      | <b>25,263,981</b>    |
| Deferred charges  | 509,303  | -                             | 509,303              |
| Capital assets:   |  |                               |                      |
| Land  | 5,958,400  | 566,509                       | 6,524,909            |
| Buildings   | 12,063,555   | 1,663,564                     | 13,727,119           |
| Improvements other than buildings                             | 276,013,694  | 3,158,498                     | 279,172,192          |
| Machinery and equipment                                       | 6,413,002  | 862,382                       | 7,275,384            |
| Construction in progress                                      | 43,313,334   | -                             | 43,313,334           |
| Less accumulated depreciation                                 | (59,798,520)                                       | (2,875,722)                   | (62,674,242)         |
| <b>Total capital assets (net of accumulated depreciation)</b> | <b>283,963,465</b>                                 | <b>3,375,231</b>              | <b>287,338,696</b>   |
| <b>Total non-current assets</b>                               | <b>309,736,749</b>                                 | <b>3,375,231</b>              | <b>313,111,980</b>   |
| <b>TOTAL ASSETS</b>   | <b>\$ 358,303,400</b>                              | <b>\$ 18,348,809</b>          | <b>\$376,652,209</b> |

(continued)

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

**CITY OF MCKINNEY , TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011**

|   | <b>Business-type Activities - Enterprise Funds</b> |                                       |                      |
|---|--|---------------------------------------|----------------------|
|   | <b>Water and<br/>Wastewater</b>                    | <b>Other<br/>Enterprise<br/>Funds</b> | <b>Total</b>         |
| <b>LIABILITIES</b>  |  |                                       |                      |
| Current liabilities:  |  |                                       |                      |
| Accounts payable  | \$ 1,452,020                                       | \$ 25,390                             | \$ 1,477,410         |
| Other accrued liabilities   | 189,002  | 534,047                               | 723,049              |
| Due to other funds  | 430,616  | 138,337                               | 568,953              |
| Note payable- interfund   | -  | 45,516                                | 45,516               |
| Compensated absences  | 56,179   | 17,052                                | 73,231               |
| Accrued interest payable  | 144,717  | -                                     | 144,717              |
| <b>Total current liabilities unrestricted</b>                         | <b>2,272,534</b>                                   | <b>760,342</b>                        | <b>3,032,876</b>     |
| Liabilities (payable from restricted assets):                         |  |                                       |                      |
| Accounts payable  | 594,535  | -                                     | 594,535              |
| Revenue bonds payable, current  | 4,385,000  | -                                     | 4,385,000            |
| Other accrued liabilities   | 408,411  | -                                     | 408,411              |
| Deposits  | 2,016,279  | 10,000                                | 2,026,279            |
| <b>Total current liabilities (payable from<br/>restricted assets)</b> | <b>7,404,225</b>                                   | <b>10,000</b>                         | <b>7,414,225</b>     |
| <b>Total current liabilities</b>                                      | <b>9,676,759</b>                                   | <b>770,342</b>                        | <b>10,447,101</b>    |
| Non-current liabilities:  |  |                                       |                      |
| Compensated absences  | 207,203  | 62,889                                | 270,092              |
| Note payable- interfund   | -  | 970,752                               | 970,752              |
| Revenue bonds, certificates of<br>obligation payable                  | 74,250,000   | -                                     | 74,250,000           |
| Arbitrage liability   | 197,539  | -                                     | 197,539              |
| Loss on refunding   | (244,628)  | -                                     | (244,628)            |
| Premium on bonds  | 100,791  | -                                     | 100,791              |
| <b>Total noncurrent liabilities</b>                                   | <b>74,510,905</b>                                  | <b>1,033,641</b>                      | <b>75,544,546</b>    |
| <b>TOTAL LIABILITIES</b>  | <b>84,187,664</b>                                  | <b>1,803,983</b>                      | <b>85,991,647</b>    |
| <b>NET ASSETS</b>   |  |                                       |                      |
| Invested in capital assets, net of<br>related debt                    | 205,472,325  | 3,375,231                             | 208,847,556          |
| Restricted for:   |  |                                       |                      |
| Use of impact fees  | 2,704,125  | -                                     | 2,704,125            |
| Debt service  | 4,980,679  | -                                     | 4,980,679            |
| Unrestricted  | 60,958,607   | 13,169,595                            | 74,128,202           |
| <b>TOTAL NET ASSETS</b>   | <b>\$ 274,115,736</b>                              | <b>\$ 16,544,826</b>                  | <b>\$290,660,562</b> |

(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 ASSETS PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <b>Business-type Activities - Enterprise Funds</b> |                               |                       |
|--|--|-------------------------------|-----------------------|
|  | <b>Water and Wastewater</b>                        | <b>Other Enterprise Funds</b> | <b>Total</b>          |
| <b>OPERATING REVENUES</b>                      |  |                               |                       |
| Charges for services                           | \$ 56,227,811                                      | \$ 8,577,915                  | \$ 64,805,726         |
| Miscellaneous                                  | 957,297  | 164,170                       | 1,121,467             |
| <b>Total operating revenues</b>                | <b>57,185,108</b>                                  | <b>8,742,085</b>              | <b>65,927,193</b>     |
| <b>OPERATING EXPENSES</b>                      |  |                               |                       |
| Personnel services                             | 4,940,495  | 1,443,681                     | 6,384,176             |
| Materials and supplies                         | 566,970  | 89,467                        | 656,437               |
| Maintenance                                    | 394,352  | 283,763                       | 678,115               |
| Purchase of water                              | 24,629,704   | -                             | 24,629,704            |
| Contract payments                              | 3,555,401  | 5,601,989                     | 9,157,390             |
| Utilities                                      | 1,023,192  | 13,489                        | 1,036,681             |
| Depreciation                                   | 6,340,936  | 269,144                       | 6,610,080             |
| Other  | 846,421  | 222,827                       | 1,069,248             |
| <b>Total operating expenses</b>                | <b>42,297,471</b>                                  | <b>7,924,360</b>              | <b>50,221,831</b>     |
| Operating income                               | 14,887,637   | 817,725                       | 15,705,362            |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>       |  |                               |                       |
| Investment income                              | 727,477  | 293,184                       | 1,020,661             |
| Interest and fiscal charges                    | (3,762,723)  | -                             | (3,762,723)           |
| Amortization                                   | (43,814)   | -                             | (43,814)              |
| Gain from disposal of assets                   | 46,847   | -                             | 46,847                |
| <b>Total non-operating revenues (expenses)</b> | <b>(3,032,213)</b>                                 | <b>293,184</b>                | <b>(2,739,029)</b>    |
| Income before contributions and transfers      | 11,855,424   | 1,110,909                     | 12,966,333            |
| Contributions                                  | 3,483,388  | -                             | 3,483,388             |
| Transfers out                                  | (2,184,143)  | (459,159)                     | (2,643,302)           |
| Change in net assets                           | 13,154,669   | 651,750                       | 13,806,419            |
| <b>Total net assets-beginning</b>              | <b>260,961,067</b>                                 | <b>15,893,076</b>             | <b>276,854,143</b>    |
| <b>Total net assets-ending</b>                 | <b>\$274,115,736</b>                               | <b>\$ 16,544,826</b>          | <b>\$ 290,660,562</b> |

*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, 2011**

|   | <b>Business-type Activities - Enterprise Funds</b> |                               |                      |
|---|--|-------------------------------|----------------------|
|   | <b>Water and Wastewater</b>                        | <b>Other Enterprise Funds</b> | <b>Total</b>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                               |                      |
| Cash received from customers  | \$ 54,204,077                                      | \$ 8,477,789                  | \$ 62,681,866        |
| Other operating revenues  | 957,297  | 164,170                       | 1,121,467            |
| Cash payments to employees for services   | (5,059,434)  | (1,485,868)                   | (6,545,302)          |
| Cash payments to suppliers for goods and services                                       | (31,430,684)                                       | (6,384,371)                   | (37,815,055)         |
| <b>Net cash provided by operating activities</b>  | <b>18,671,256</b>                                  | <b>771,720</b>                | <b>19,442,976</b>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |  |                               |                      |
| Advances to other funds   | -  | (216,268)                     | (216,268)            |
| Transfers to other funds  | (2,184,143)  | (459,159)                     | (2,643,302)          |
| <b>Cash used in noncapital financing activities</b>                                     | <b>(2,184,143)</b>                                 | <b>(675,427)</b>              | <b>(2,859,570)</b>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |  |                               |                      |
| Principal paid  | (4,340,000)  | -                             | (4,340,000)          |
| Loan proceeds   | -  | 216,268                       | 216,268              |
| Interest and fiscal charges on debt   | (3,736,040)  | -                             | (3,736,040)          |
| Acquisition and construction of capital assets  | (12,467,785)                                       | -                             | (12,467,785)         |
| Proceeds from sale of assets  | 50,613   | -                             | 50,613               |
| Contributions   | 1,602,272  | -                             | 1,602,272            |
| <b>Cash provided by (used in) capital and related financing activities</b>              | <b>(18,890,940)</b>                                | <b>216,268</b>                | <b>(18,674,672)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                               |                      |
| Purchase of investment securities   | (22,386,000)                                       | (2,560,000)                   | (24,946,000)         |
| Proceeds from sale and maturities of securities   | 23,713,565   | 2,560,000                     | 26,273,565           |
| Investment earnings   | (1,288,984)  | 293,184                       | (995,800)            |
| <b>Cash provided by (used in) investing activities</b>                                  | <b>38,581</b>                                      | <b>293,184</b>                | <b>331,765</b>       |
| Net increase (decrease) in cash   | (2,365,246)  | 605,745                       | (1,759,501)          |
| Cash and cash equivalents at beginning of year  | 34,923,828   | 5,996,909                     | 40,920,737           |
| Cash and cash equivalents at end of year  | <u>\$ 32,558,582</u>                               | <u>\$ 6,602,654</u>           | <u>\$ 39,161,236</u> |
| <b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>                      |  |                               |                      |
| Unrestricted cash and cash equivalents  | \$ 7,801,978                                       | \$ 6,592,654                  | \$ 14,394,632        |
| Restricted cash and cash equivalents  | 24,756,604   | 10,000                        | 24,766,604           |
|   | <u>\$ 32,558,582</u>                               | <u>\$ 6,602,654</u>           | <u>\$ 39,161,236</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  |  |                               |                      |
| Operating income  | \$ 14,887,637                                      | \$ 817,725                    | \$ 15,705,362        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |  |                               |                      |
| Depreciation and amortization   | 6,340,936  | 269,144                       | 6,610,080            |
| Provision for bad debt  | 873,898  | 158,952                       | 1,032,850            |
| Change in assets and liabilities:   |  |                               |                      |
| (Increase) decrease in assets:  |  |                               |                      |
| Accounts receivable   | (2,913,813)  | (259,078)                     | (3,172,891)          |
| Due from other funds  | (107)  | -                             | (107)                |
| Inventory   | 201,307  | 1,932                         | 203,239              |
| Prepaid expense   | 3,667  | 960                           | 4,627                |
| Increase (decrease) in liabilities:   |  |                               |                      |
| Accounts payable  | (1,153,450)  | (88,281)                      | (1,241,731)          |
| Accrued liabilities   | 30,141   | (94,274)                      | (64,133)             |
| Due to other funds  | 346,391  | (49,218)                      | 297,173              |
| Liability for accrued vacation  | 38,361   | 13,858                        | 52,219               |
| Deposits  | 16,288   | -                             | 16,288               |
| Total adjustments   | 3,783,619  | (46,005)                      | 3,737,614            |
| <b>Net cash provided by operating activities</b>  | <b>\$ 18,671,256</b>                               | <b>\$ 771,720</b>             | <b>\$ 19,442,976</b> |
| <b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>                             |  |                               |                      |
| Non-cash change in fair value of assets   | \$ (2,000,000)                                     | \$ -                          | \$ (2,000,000)       |

*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, 2011**

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|                           | <u>Agency Fund</u>   |
|---------------------------|----------------------|
|                           | <u>BB Owen Park</u>  |
| <b>ASSETS</b>             |                      |
| Cash and cash equivalents | \$ 10,924,132        |
| <b>Total assets</b>       | <u>\$ 10,924,132</u> |
| <b>LIABILITIES</b>        |                      |
| Other accrued liabilities | \$ 10,924,132        |
| <b>Total liabilities</b>  | <u>\$ 10,924,132</u> |

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2011**

|   | Governmental Activities            |                                     | Business-Type Activities              |                                   | Total                |
|---|------------------------------------|-------------------------------------|---------------------------------------|-----------------------------------|----------------------|
|   | McKinney Economic Dev. Corporation | McKinney Community Dev. Corporation | McKinney Convention & Visitors Bureau | McKinney Airport Dev. Corporation |                      |
|   |                                    |                                     |                                       |                                   |                      |
| <b>ASSETS</b>                                     |                                    |                                     |                                       |                                   |                      |
| Cash and cash equivalents                         | \$ 5,914,675                       | \$ 18,504,133                       | \$ 431,065                            | \$ 626,158                        | \$ 25,476,031        |
| Investments                                       | 1,000,000                          | 4,068,600                           | -                                     | -                                 | 5,068,600            |
| Receivables (net of allowance for uncollectibles) | 1,463,115                          | 1,486,965                           | 56,326                                | 19,541                            | 3,025,947            |
| Due from other governments                        | -                                  | -                                   | -                                     | 47,766                            | 47,766               |
| Prepaid items                                     | 18,495                             | 11,474                              | 8,128                                 | -                                 | 38,097               |
| Deferred charges                                  | 154,922                            | -                                   | -                                     | -                                 | 154,922              |
| Restricted assets:                                |                                    |                                     |                                       |                                   |                      |
| Cash and cash equivalents                         | 1,990,385                          | -                                   | -                                     | 1,729,362                         | 3,719,747            |
| Capital assets:                                   |                                    |                                     |                                       |                                   |                      |
| Non depreciable                                   | 23,327,476                         | 532,529                             | -                                     | 40,210,500                        | 64,070,505           |
| Depreciable (net)                                 | 108,539                            | -                                   | -                                     | 18,204,940                        | 18,313,479           |
| <b>Total Assets</b>                               | <b>33,977,607</b>                  | <b>24,603,701</b>                   | <b>495,519</b>                        | <b>60,838,267</b>                 | <b>119,915,094</b>   |
| <b>LIABILITIES</b>                                |                                    |                                     |                                       |                                   |                      |
| Accounts payable                                  | 1,077,841                          | 1,017,872                           | 4,421                                 | 28,325                            | 2,128,459            |
| Other accrued liabilities                         | 119                                | 3,779                               | 4,926                                 | 13,407                            | 22,231               |
| Accrued interest payable                          | 85,559                             | -                                   | -                                     | -                                 | 85,559               |
| Deposits  | -                                  | -                                   | -                                     | 17,714                            | 17,714               |
| Non Current Liabilities:                          |                                    |                                     |                                       |                                   |                      |
| Due within one year:                              |                                    |                                     |                                       |                                   |                      |
| Note payable to primary government                | 1,270,000                          | -                                   | -                                     | -                                 | 1,270,000            |
| Compensated absences                              | 5,298                              | 2,085                               | 2,786                                 | 7,231                             | 17,400               |
| Bonds payable                                     | 900,000                            | -                                   | -                                     | -                                 | 900,000              |
| Due in more than one year:                        |                                    |                                     |                                       |                                   |                      |
| Note payable to primary government                | 6,825,000                          | -                                   | -                                     | -                                 | 6,825,000            |
| Compensated absences                              | 19,539                             | 7,689                               | 10,274                                | 26,670                            | 64,172               |
| Bonds payable                                     | 15,560,000                         | -                                   | -                                     | -                                 | 15,560,000           |
| <b>Total Liabilities</b>                          | <b>25,743,356</b>                  | <b>1,031,425</b>                    | <b>22,407</b>                         | <b>93,347</b>                     | <b>26,890,535</b>    |
| <b>NET ASSETS</b>                                 |                                    |                                     |                                       |                                   |                      |
| Invested in capital assets (net of related debt)  | 7,262,246                          | 532,529                             | -                                     | 58,415,440                        | 66,210,215           |
| Restricted for:                                   |                                    |                                     |                                       |                                   |                      |
| Debt service                                      | 410,328                            | -                                   | -                                     | -                                 | 410,328              |
| Unrestricted                                      | 561,677                            | 23,039,747                          | 473,112                               | 2,329,480                         | 26,404,016           |
| <b>Total Net Assets</b>                           | <b>\$ 8,234,251</b>                | <b>\$ 23,572,276</b>                | <b>\$ 473,112</b>                     | <b>\$ 60,744,920</b>              | <b>\$ 93,024,559</b> |

*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 ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|                                       | <u>Program Revenues</u> |                                 |   |
|---------------------------------------|-------------------------|---------------------------------|---|
|                                       | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |
| <b>Governmental Activities:</b>       |                         |                                 |   |
| McKinney Economic Development Corp    | \$ 6,414,098            | \$ 537,723                      | \$ -  |
| McKinney Community Development Corp   | 9,682,662               | 831,789                         | -   |
| McKinney Convention & Visitors Bureau | 551,589                 | -                               | -   |
| <b>Total governmental activities</b>  | <b>16,648,349</b>       | <b>1,369,512</b>                | <b>-</b>  |
| <b>Business-type activities:</b>      |                         |                                 |   |
| McKinney Airport Development Corp     | 1,783,547               | 533,804                         | 612,895   |
| <b>Total business-type activities</b> |                         |                                 |   |
| <b>Total component units</b>          | <b>\$ 18,431,896</b>    | <b>\$ 1,903,316</b>             | <b>\$ 612,895</b>                                 |

General revenues:

Sales taxes

Investment income

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning as restated

Net assets - ending

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

| Capital<br>Grants and<br>Contributions | Component Units                          |   |   |   | Total                 |
|--|--|---|---|---|-----------------------|
|  | McKinney<br>Economic Dev.<br>Corporation | McKinney<br>Community Dev.<br>Corporation | McKinney<br>Convention &<br>Visitors Bureau | McKinney<br>Airport Dev.<br>Corporation |                       |
| \$ -                                   | \$ (5,876,375)                           | \$ -                                      | \$ -  | \$ -                                    | \$ (5,876,375)        |
| -                                      | -  | (8,850,873)                               | -   | -                                       | (8,850,873)           |
| -                                      | -  | -   | (551,589)                                   | -                                       | (551,589)             |
| -                                      | (5,876,375)                              | (8,850,873)                               | (551,589)                                   | -                                       | (15,278,837)          |
| 10,829,253                             | -  | -   | -   | 10,192,405                              | 10,192,405            |
| <u>\$ 10,829,253</u>                   | <u>\$ (5,876,375)</u>                    | <u>\$ (8,850,873)</u>                     | <u>\$ (551,589)</u>                         | <u>\$ 10,192,405</u>                    | <u>\$ (5,086,432)</u> |
|  | \$ 8,101,418                             | \$ 8,101,418                              | \$ 565,947                                  | \$ -                                    | \$ 16,768,783         |
|  | 38,408                                   | 165,303                                   | 3,782                                       | 31,790                                  | 239,283               |
|  | -  | -   | 9,719                                       | -                                       | 9,719                 |
|  | <u>8,139,826</u>                         | <u>8,266,721</u>                          | <u>579,448</u>                              | <u>31,790</u>                           | <u>17,017,785</u>     |
|  | 2,263,451                                | (584,152)                                 | 27,859                                      | 10,224,195                              | 11,931,353            |
|  | 5,970,800                                | 24,156,428                                | 445,253                                     | 50,520,725                              | 81,093,206            |
|  | <u>\$ 8,234,251</u>                      | <u>\$ 23,572,276</u>                      | <u>\$ 473,112</u>                           | <u>\$ 60,744,920</u>                    | <u>\$ 93,024,559</u>  |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

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**(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, 2011.

**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 assets and statement of activities. Significantly, the City's statement of net assets 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, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund budget with actual results.

**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 four 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**  
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The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the combined 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.

The McKinney Community Development Corporation (MCDC) is also a discretely presented component unit in the combined 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.

The McKinney Airport Development Corporation (MADC) is a discretely presented component unit in the combined financial statements. The governing body of the MADC is appointed by the City Council and the MADC'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 MADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. The MADC 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 MADC has a September 30 year-end. Under a contract with the MADC, the City performs financial services for the MADC. There are no separately issued financial statements of the MADC, which is reported as a proprietary fund. For more information about the MADC, refer to Note 13.

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the combined 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.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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There are no separately issued financial statements of the MCVB. During 2011, the City reassessed the MCVB, which was previously reported as a non-major special revenue fund, and determined that it should be reported as a governmental fund within the City's discretely presented component units because the services provided by the MCVB do not exclusively benefit the City. For more information about the MCVB, refer to Note 14.

**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 assets 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.

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 and the solid waste enterprise fund 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.



**CITY OF MCKINNEY, TEXAS**  
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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 and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989.

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, licenses, 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.

**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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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from taxes levied by the City.

- c. **The Street Construction Fund** is used to account for the acquisition or construction of streets and storm sewer projects being financed from general obligation or certificate of obligation bond proceeds, grants, or transfers from other funds.

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 assets.

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. The following is a description of the major proprietary fund of the City:

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

Other Proprietary Funds is a summarization of all of the non-major proprietary funds.

**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 Assets. 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, medical card account, emergency medical service, insurance bank account, law enforcement bank account, disaster relief 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

**CITY OF MCKINNEY, TEXAS**  
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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, Prepaid Items and Deferred Charges**

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 are recorded at the lower of cost or market.

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2011, 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.

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. The City's policy is to amortize issuance costs over the life of the related debt using the effective interest method.

**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.

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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.

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 2011, 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:

| Assets                  | Years    |
|-------------------------|----------|
| 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       |
| Storm Sewer             | 50       |
| Streets                 | 20       |

**J. Compensated Absences**

Vacation is earned in varying amounts up to a maximum of 25 days per year for employees with 30 years or more of service. Unused vacation leave may be carried forward from one year to the next and is limited to one and one half times the number of vacation days accumulated per year. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CITY OF MCKINNEY, TEXAS  
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**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 assets.

Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gain or losses on refunding are amortized straight line over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 has adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe the constraints imposed upon the use of the resources reported in governmental funds. 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.

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 by their designated body or official.

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.

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Additionally, the implementation of GASB No. 54 required the City to evaluate the classification of Special Revenue Funds. In accordance with GASB No. 54 Special Revenue Funds are used only to account for specific revenue sources that are externally restricted or committed by the government's highest level of decision making authority for specific purposes other than debt service or capital projects. Accordingly, the McKinney Performing Arts Center (MPAC)/ Cultural Arts / Main St Fund has been reclassified and the beginning fund balances of the general fund and the non-major governmental funds have been restated as follows:

|  |                   |
|--|-------------------|
| General Fund   |                   |
| MPAC / Cultural Arts / Main St                                   | \$ 165,816        |
| Increase in general fund and decrease in non-major fund balances | <u>\$ 165,816</u> |

As noted in Note 1 (B), the MCVB has been reclassified as a discretely presented component unit and, as a result, the beginning fund balance of the other governmental funds has been decreased by \$452,802. This reclassification has also affected beginning net assets in the government-wide financial statements as follows, which is the effect of reclassifying the MCVB plus \$7,549 of compensated absences as of October 1, 2010.

|  | <u>Governmental<br/>Activities</u> | <u>Discretely Presented<br/>Component Units</u> |
|--|------------------------------------|---|
| Net assets, October 1, 2010, as previously presented | \$ 387,949,967                     | \$ 80,647,953                                   |
| Reclassification of MCVB                             | (445,253)                          | 445,253   |
| Net assets, October 1, 2010, as restated             | <u>\$ 387,504,714</u>              | <u>\$ 81,093,206</u>                            |

In addition, the Equipment / Infrastructure Replacement Fund has been reclassified from Special Revenue to Capital Projects; however this reclassification has no effect on the non-major funds' fund balance.

**(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.

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.

**CITY OF MCKINNEY, TEXAS  
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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 2011, the total amendments to the original adopted budgeted amounts resulted in a \$951,524 increase in budgeted General Fund expenditures.

Budgets for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City's Special Revenue Funds and Capital Projects Funds are budgeted on an annual basis. For budgeted Capital Projects not expended during the fiscal year the City will roll those balances into the following year's budget.

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 City did not report any funds whose expenditures were in excess of the appropriations.

**(3) DETAILED NOTES ON ALL FUNDS**

**A. CASH AND INVESTMENTS**

Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

|   |                |
|---|----------------|
| Statement of net assets:  |                |
| Cash and cash equivalents   | \$ 104,716,241 |
| Investments   | 30,426,099     |
| Restricted cash and cash equivalents                                  | 24,766,604     |
| Restricted investments  | 25,127,454     |
|   | <hr/>          |
| Total cash and investments  | \$ 185,036,398 |
|   | <hr/>          |
| Cash on hand  | \$ 9,399       |
| Deposits with financial institution excluding certificates of deposit | 16,602,519     |
| Investments   | 168,424,480    |
|   | <hr/>          |
| Total cash and investments  | \$ 185,036,398 |
|   | <hr/>          |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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<br>Investment Type                | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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 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.

**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 is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less then 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, 2011, the City had the following investments:

| Investment Type           | Amount         | Weighted<br>Average<br>Maturity |
|---------------------------|----------------|---------------------------------|
| Certificates of Deposit   | \$ 16,865,890  | 672 days                        |
| TexPool                   | 6,918,394      | 48 days                         |
| TexPool Prime             | 4,009,443      | 37 days                         |
| LOGIC                     | 72,022,198     | 42 days                         |
| Texas Daily               | 412,140        | 53 days                         |
| Texas CLASS               | 29,508,753     | 31 days                         |
| Federal Agency Securities | 32,197,575     | 1,334 days                      |
| Municipal Securities      | 6,490,087      | 344 days                        |
|                           | \$ 168,424,480 |                                 |



**CITY OF MCKINNEY, TEXAS  
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YEAR ENDED SEPTEMBER 30, 2011**

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City's investments include \$8,174,995 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 issue prior to the step up date. The range of the step up is between 0.75% and 5.04%.

**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.

| Investment Type           | Amount                | Minimum<br>Legal<br>Rating | Rating as<br>of Year<br>End |
|---------------------------|-----------------------|----------------------------|-----------------------------|
| Certificates of Deposit   | \$ 16,865,890         | AAA/AAA-m                  | AAA-m                       |
| TexPool                   | 6,918,394             | AAA/AAA-m                  | AAA-m                       |
| TexPool Prime             | 4,009,443             | AAA/AAA-m                  | AAA-m                       |
| LOGIC                     | 72,022,198            | AAA/AAA-m                  | AAA-m                       |
| Texas Daily               | 412,140               | AAA/AAA-m                  | AAA-m                       |
| Texas CLASS               | 29,508,753            | AAA/AAA-m                  | AAA-m                       |
| Federal Agency Securities | 32,197,575            | AAA                        | AAA                         |
| Municipal Securities      | 6,490,087             | AA                         | AA                          |
|                           | <u>\$ 168,424,480</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, 2011, investments other than external investment pools that represent 5% or more of the City's investments are as follows:

| Issuer | Investment Type           | Reported Amount |
|--------|---------------------------|-----------------|
| FHLB   | Federal agency securities | \$ 10,187,595   |
| FNMA   | Federal agency securities | \$ 19,009,380   |

**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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

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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, 2011 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.

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 assets 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 is 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 assets 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.

**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, 2011, were 101.9% of the adjusted tax levy.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

Allocations of property tax levy by purpose for 2011 and the preceding year are as follows (amounts per \$100 assessed value):

|              | 2011              | 2010              |
|--------------|-------------------|-------------------|
| General Fund | \$ 0.40650        | \$ 0.40650        |
| Debt Service | 0.17900           | 0.17900           |
|              | <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 2011 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 nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Governmental Funds    | Street              |                   |                  |                  | Total                |
|-----------------------|---------------------|-------------------|------------------|------------------|----------------------|
|                       | General             | Debt Service      | Construction     | Other Funds      |                      |
| Receivables           |                     |                   |                  |                  |                      |
| Interest              | \$ 61,119           | \$ -              | \$ 30,704        | \$ 10,325        | \$ 102,148           |
| Taxes                 | 6,847,982           | 437,746           | -                | -                | 7,285,728            |
| Accounts              | 3,850,448           | -                 | -                | 19,269           | 3,869,717            |
| Other                 | -                   | -                 | -                | 5,000            | 5,000                |
| Gross receivables     | 10,759,549          | 437,746           | 30,704           | 34,594           | 11,262,593           |
| Less: allowance       | (947,480)           | -                 | -                | -                | (947,480)            |
| Net total receivables | <u>\$ 9,812,069</u> | <u>\$ 437,746</u> | <u>\$ 30,704</u> | <u>\$ 34,594</u> | <u>\$ 10,315,113</u> |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

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| Business-Type Activities | Water               |                     | Total                |
|--------------------------|---------------------|---------------------|----------------------|
|                          | Wastewater          | Other Funds         |                      |
| Receivables              |                     |                     |                      |
| Interest                 | \$ 152,318          | \$ -                | \$ 152,318           |
| Customer accounts        | 10,008,904          | 2,083,965           | 12,092,869           |
| Other                    | -                   | 252,857             | 252,857              |
|                          | <u>10,161,222</u>   | <u>2,336,822</u>    | <u>12,498,044</u>    |
| Gross receivables        |                     |                     |                      |
| Less: allowance          | (967,213)           | (161,192)           | (1,128,405)          |
| Net total receivables    | <u>\$ 9,194,009</u> | <u>\$ 2,175,630</u> | <u>\$ 11,369,639</u> |

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2011. The water and wastewater fund also reported restricted interest receivable at year-end of \$136,527.

Notes receivable includes the balances of three notes from MEDC. In fiscal year 1999, MEDC agreed to pay the principal and interest on \$500,000 of City certificate of obligation funds. The \$500,000 was used for Airport infrastructure engineering and construction costs. The balance of this note as of September 30, 2011, is \$240,000 in the general fund.

In February of 2009, MEDC negotiated a loan from the City.

Proceeds were used to redeem their 2002 taxable revenue bonds achieving a savings of \$297,895 in interest expenses. A promissory note in the amount of \$7,070,000 was executed with the City. The Note is for five years with a 5% interest on outstanding balances. During 2010, the City Council authorized the transfer of \$1,177,500 of this note receivable to the Solid Waste Fund. As of September 30, 2011, the balance of this note is \$2,677,500 and \$1,177,500 in the general fund and solid waste fund, respectively.

Also in February of 2009, MEDC negotiated another loan 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 2011, the City Council authorized the transfer of this note to the solid waste fund. The balance of this note as of September 30, 2011, is \$4,000,000.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

**D. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2011 was as follows:

Primary Government

|  | Beginning<br>Balance | Increases      | Decreases    | Transfers    | Ending<br>Balance |
|--|----------------------|----------------|--------------|--------------|-------------------|
| Governmental activities:                       |                      |                |              |              |                   |
| Capital assets not being depreciated:          |                      |                |              |              |                   |
| Land   | \$ 13,594,924        | \$ -           | \$ -         | \$ 128,862   | \$ 13,723,786     |
| Construction in progress                       | 76,804,237           | 20,547,117     | (194,391)    | (21,822,181) | 75,334,782        |
| Total capital assets, not being depreciated    | 90,399,161           | 20,547,117     | (194,391)    | (21,693,319) | 89,058,568        |
| Capital assets being depreciated:              |                      |                |              |              |                   |
| Buildings                                      | 89,506,816           | -              | -            | 9,078,831    | 98,585,647        |
| Infrastructure                                 | 515,287,888          | 4,704,077      | -            | 4,031,958    | 524,023,923       |
| Machinery & equipment                          | 38,846,554           | 1,717,656      | (546,920)    | 8,582,530    | 48,599,820        |
| Total capital assets being depreciated         | 643,641,258          | 6,421,733      | (546,920)    | 21,693,319   | 671,209,390       |
| Less accumulated depreciation for:             |                      |                |              |              |                   |
| Buildings                                      | (16,962,527)         | (2,905,402)    | -            | -            | (19,867,929)      |
| Infrastructure                                 | (200,058,253)        | (22,965,833)   | -            | -            | (223,024,086)     |
| Machinery and equipment                        | (23,498,939)         | (3,689,085)    | 522,659      | -            | (26,665,365)      |
| Total accumulated depreciation                 | (240,519,719)        | (29,560,320)   | 522,659      | -            | (269,557,380)     |
| Total capital assets<br>being depreciated, net | 403,121,539          | (23,138,587)   | (24,261)     | 21,693,319   | 401,652,010       |
| Governmental activities capital assets, net    | \$ 493,520,700       | \$ (2,591,470) | \$ (218,652) | \$ -         | \$ 490,710,578    |

|  | Beginning<br>Balance | Increases    | Decreases  | Transfers   | Ending<br>Balance |
|--|----------------------|--------------|------------|-------------|-------------------|
| Business-type activities:                      |                      |              |            |             |                   |
| Capital assets not being depreciated:          |                      |              |            |             |                   |
| Land   | \$ 6,524,909         | \$ -         | \$ -       | \$ -        | \$ 6,524,909      |
| Construction in progress                       | 35,100,213           | 11,788,983   | -          | (3,575,862) | 43,313,334        |
| Total capital assets, not being depreciated    | 41,625,122           | 11,788,983   | -          | (3,575,862) | 49,838,243        |
| Capital assets being depreciated:              |                      |              |            |             |                   |
| Buildings                                      | 13,701,569           | 25,550       | -          | -           | 13,727,119        |
| Infrastructure                                 | 275,207,403          | 2,487,153    | -          | 1,477,636   | 279,172,192       |
| Machinery & equipment                          | 5,242,818            | 47,214       | (112,874)  | 2,098,226   | 7,275,384         |
| Total capital assets being depreciated         | 294,151,790          | 2,559,917    | (112,874)  | 3,575,862   | 300,174,695       |
| Less accumulated depreciation for:             |                      |              |            |             |                   |
| Buildings                                      | (3,769,267)          | (328,431)    | -          | -           | (4,097,698)       |
| Infrastructure                                 | (49,051,791)         | (5,895,526)  | -          | -           | (54,947,317)      |
| Machinery and equipment                        | (3,352,212)          | (386,123)    | 109,108    | -           | (3,629,227)       |
| Total accumulated depreciation                 | (56,173,270)         | (6,610,080)  | 109,108    | -           | (62,674,242)      |
| Total capital assets<br>being depreciated, net | 237,978,520          | (4,050,163)  | (3,766)    | 3,575,862   | 237,500,453       |
| Business-type activities capital assets, net   | \$ 279,603,642       | \$ 7,738,820 | \$ (3,766) | \$ -        | \$ 287,338,696    |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the primary government as follows:

|   |                      |
|---|----------------------|
| Governmental Activities:                            |                      |
| General government                                  | \$ 2,146,804         |
| Police  | 859,247              |
| Fire  | 1,705,270            |
| Libraries   | 244,975              |
| Development   | 266,871              |
| Parks and recreation                                | 2,560,087            |
| Public works  | <u>21,777,066</u>    |
| Total depreciation expense governmental activities  | <u>\$ 29,560,320</u> |
| Business-type activities:                           |                      |
| Water and Wastewater                                | \$ 6,340,936         |
| Solid Waste   | 62,696               |
| Surface Water Drainage                              | 1,841                |
| Golf Course   | <u>204,607</u>       |
| Total depreciation expense business-type activities | <u>\$ 6,610,080</u>  |

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2011. The projects include Governmental type activities such as: streets, parks, fire, facilities, library, and stormwater construction. The commitment for Governmental is being financed by general obligation bonds, certificate of obligation bonds, impact fees and developer contributions. The Water and Wastewater, and Airport are being financed by revenue bonds, certificate of obligation bonds, impact fees and developer contributions. The remaining commitment was expenditures not spent.

Commitments for construction in progress are composed of the following:

|                      | Project Budget<br>Appropriation | Spent-to-date         | Remaining<br>Commitment |
|----------------------|---------------------------------|-----------------------|-------------------------|
| Governmental         | \$ 157,370,650                  | \$ 75,334,782         | \$ 82,035,868           |
| Water and Wastewater | 73,810,747                      | 43,314,031            | 30,496,716              |
| Airport              | <u>49,112,730</u>               | <u>26,363,809</u>     | <u>22,748,921</u>       |
| Total                | <u>\$ 280,294,127</u>           | <u>\$ 145,012,622</u> | <u>\$ 135,281,505</u>   |

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivables and payables balances at September 30, 2011, is as follows:

| Receivable Fund       | Payable Fund          | Amount            | Primary Purpose        |
|-----------------------|-----------------------|-------------------|------------------------|
| General Fund          | Water/Wastewater Fund | \$ 430,616        | Franchise fees         |
| Water/Wastewater Fund | Solid Waste           | 8,058             | Sanitation accrual     |
| General Fund          | Solid Waste           | 30,279            | Sanitation accrual     |
| General Fund          | Golf Course           | 100,000           | To cover cash shortage |
| General Fund          | Other Funds           | <u>200,000</u>    | To cover cash shortage |
|                       | Total                 | <u>\$ 768,953</u> |                        |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

Transfers between funds during the year were as follows:

| <u>Transfer Out</u>    | <u>Transfer In</u> | <u>Amount</u>       |
|------------------------|--------------------|---------------------|
| General Fund           | Non major          | \$ 741,122          |
| Golf Fund              | General Fund       | 5,000               |
| Surface Water Drainage | General Fund       | 63,881              |
| Surface Water Drainage | Non major          | 1,200               |
| Water/Wastewater       | General Fund       | 2,136,373           |
| Water/Wastewater       | Non major          | 47,770              |
| Solid Waste            | General Fund       | 384,812             |
| Solid Waste            | Non major          | 4,266               |
| Non Major Funds        | Non major          | 600                 |
|                        |                    | <u>\$ 3,385,024</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.

A transfer of \$428,536 was made from the general fund to the equipment replacement fund to replace computers.

Transfers of \$2,585,066 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. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2029.

In March 2011, City Council approved an increase to the existing loan of \$261,000. The balance of the note as of September 30, 2011 is \$1,016,268. . The interest rate of 1.75% remains the same. Principal and interest payments will be made annually through 2030.

**F. DEFERRED/UNEARNED REVENUE**

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

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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

|                | General Fund        | Debt Service Fund | Other Funds      | Deferred Revenue    | Unearned Revenue |
|----------------|---------------------|-------------------|------------------|---------------------|------------------|
| Tax revenue    | \$ 951,893          | \$ 414,671        | \$ -             | \$ 1,366,564        | \$ -             |
| Court revenue  | 1,774,147           | -                 | -                | 1,774,147           | -                |
| EMS revenue    | 917,494             | -                 | -                | 917,494             | -                |
| Franchise fees | 1,026,804           | -                 | -                | 1,026,804           | -                |
| Grant revenue  | -                   | -                 | 11,194           | 11,194              | -                |
| Miscellaneous  | 54,185              | -                 | -                | 54,185              | 54,185           |
|                | <u>\$ 4,724,523</u> | <u>\$ 414,671</u> | <u>\$ 11,194</u> | <u>\$ 5,150,388</u> | <u>\$ 54,185</u> |

**G. LONG-TERM DEBT**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2011, is as follows:

|                                       | Beginning Balance     | Additions           | Reductions             | Ending Balance        | Due Within One Year  |
|---------------------------------------|-----------------------|---------------------|------------------------|-----------------------|----------------------|
| Governmental activities:              |                       |                     |                        |                       |                      |
| Bonds payable:                        |                       |                     |                        |                       |                      |
| General obligation bonds              | \$ 153,030,000        | \$ -                | \$ (7,615,000)         | \$ 145,415,000        | \$ 7,790,000         |
| Certificate of obligation             | 74,675,000            | -                   | (2,365,000)            | 72,310,000            | 2,485,000            |
|                                       | <u>227,705,000</u>    | <u>-</u>            | <u>(9,980,000)</u>     | <u>217,725,000</u>    | <u>10,275,000</u>    |
| Add deferred amounts:                 |                       |                     |                        |                       |                      |
| For issuance premium                  | 500,652               | -                   | (57,870)               | 442,782               | -                    |
| For advance refunding                 | (425,131)             | -                   | 78,405                 | (346,726)             | -                    |
| Total bonds payable                   | <u>227,780,521</u>    | <u>-</u>            | <u>(9,959,465)</u>     | <u>217,821,056</u>    | <u>10,275,000</u>    |
| Arbitrage                             | 379,337               | -                   | (379,337)              | -                     | -                    |
| OPEB liability                        | 187,083               | 411,782             | (170,276)              | 428,589               | -                    |
| Compensated absences                  | 4,179,246             | 1,058,326           | (830,716)              | 4,406,856             | 939,982              |
| Governmental activity long-term debt  | <u>\$ 232,526,187</u> | <u>\$ 1,470,108</u> | <u>\$ (11,339,794)</u> | <u>\$ 222,656,501</u> | <u>\$ 11,214,982</u> |
| Business-type activities:             |                       |                     |                        |                       |                      |
| Bonds payable:                        |                       |                     |                        |                       |                      |
| Water and Wastewater Revenue bonds    | \$ 82,975,000         | \$ -                | \$ (4,340,000)         | \$ 78,635,000         | \$ 4,385,000         |
|                                       | <u>82,975,000</u>     | <u>-</u>            | <u>(4,340,000)</u>     | <u>78,635,000</u>     | <u>4,385,000</u>     |
| Add deferred amounts:                 |                       |                     |                        |                       |                      |
| For issuance premium                  | 116,886               | -                   | (16,095)               | 100,791               | -                    |
| For advance refunding                 | (288,442)             | -                   | 43,814                 | (244,628)             | -                    |
| Total bonds payable                   | <u>82,803,444</u>     | <u>-</u>            | <u>(4,312,281)</u>     | <u>78,491,163</u>     | <u>4,385,000</u>     |
| Arbitrage                             | 197,539               | -                   | -                      | 197,539               | 197,539              |
| Compensated absences                  | 291,104               | 87,001              | (34,782)               | 343,323               | 73,231               |
| Business-type activity long-term debt | <u>\$ 83,292,087</u>  | <u>\$ 87,001</u>    | <u>\$ (4,347,063)</u>  | <u>\$ 79,032,025</u>  | <u>\$ 4,655,770</u>  |

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.



**CITY OF MCKINNEY, TEXAS**  
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General Obligation Bonds and Certificates of Obligation

The general obligation bonds include \$217,725,000 of serial bonds and certificates of obligation with interest rates ranging from 3.00% to 5.50% maturing annually in varying amounts through 2030. 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.

Debt service requirements of the general obligation bonds and certificates of obligation for the years subsequent to September 30, 2011 are as follows:

| Fiscal Year | General Obligation Bonds |                       |                       | Certificates of Obligation |                       |                       | Total GO and CO Requirements |
|-------------|--------------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|------------------------------|
|             | Principal Requirements   | Interest Requirements | Total Requirements    | Principal Requirements     | Interest Requirements | Total Requirements    |                              |
| 2012        | \$ 7,815,000             | \$ 6,431,838          | \$ 14,246,838         | \$ 2,485,000               | \$ 3,174,265          | \$ 5,659,265          | \$ 19,906,103                |
| 2013        | 8,050,000                | 6,114,294             | 14,164,294            | 2,585,000                  | 3,068,108             | 5,653,108             | 19,817,402                   |
| 2014        | 8,230,000                | 5,783,351             | 14,013,351            | 2,735,000                  | 2,959,753             | 5,694,753             | 19,708,104                   |
| 2015        | 8,210,000                | 5,444,773             | 13,654,773            | 3,095,000                  | 2,857,485             | 5,952,485             | 19,607,258                   |
| 2016        | 7,065,000                | 5,063,198             | 12,128,198            | 4,640,000                  | 2,737,300             | 7,377,300             | 19,505,498                   |
| 2017-2021   | 45,905,000               | 19,897,555            | 65,802,555            | 20,190,000                 | 10,961,995            | 31,151,995            | 96,954,550                   |
| 2022-2026   | 44,985,000               | 9,073,776             | 54,058,776            | 22,650,000                 | 6,221,919             | 28,871,919            | 82,930,695                   |
| 2027-2030   | 15,155,000               | 1,414,219             | 16,569,219            | 13,930,000                 | 1,405,988             | 15,335,988            | 31,905,207                   |
|             | <u>\$145,415,000</u>     | <u>\$ 59,223,004</u>  | <u>\$ 204,638,004</u> | <u>\$ 72,310,000</u>       | <u>\$ 33,386,813</u>  | <u>\$ 105,696,813</u> | <u>\$ 310,334,817</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 3.00% to 5.50%, maturing annually in varying amounts through years 2030 and interest is payable semi-annually.

The revenue bonds are payable from the net revenues 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 the bond covenants. The City is in compliance with the revenue bond debt covenants as of September 30, 2011. 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, 2011, are as follows:

| Fiscal Year | Revenue Bonds          |                       |                       |
|-------------|------------------------|-----------------------|-----------------------|
|             | Principal Requirements | Interest Requirements | Total Requirements    |
| 2012        | \$ 4,385,000           | \$ 3,383,009          | \$ 7,768,009          |
| 2013        | 4,435,000              | 3,199,913             | 7,634,913             |
| 2014        | 4,490,000              | 3,013,619             | 7,503,619             |
| 2015        | 4,600,000              | 2,822,897             | 7,422,897             |
| 2016        | 4,720,000              | 2,623,106             | 7,343,106             |
| 2017-2021   | 24,860,000             | 9,899,896             | 34,759,896            |
| 2022-2026   | 24,940,000             | 4,073,738             | 29,013,738            |
| 2027-2030   | 6,205,000              | 395,169               | 6,600,169             |
|             | <u>\$ 78,635,000</u>   | <u>\$ 29,411,347</u>  | <u>\$ 108,046,347</u> |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**H. RESTRICTED ASSETS**

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

| Purpose                        | Cash and<br>Investments | Accrued<br>Interest<br>Receivable | Total                |
|--------------------------------|-------------------------|-----------------------------------|----------------------|
| Water and Wastewater Funds:    |                         |                                   |                      |
| Operating Fund (includes       |                         |                                   |                      |
| customer deposits              | \$ 2,039,279            | \$ -                              | \$ 2,039,279         |
| Utility Capital Projects Fund  | 31,489,990              | 133,046                           | 31,623,036           |
| Utility Development Impact Fee | 2,704,125               | -                                 | 2,704,125            |
| Revenue Debt Service Fund      | 8,673,466               | -                                 | 8,673,466            |
| Revenue Bond Reserve Fund      | 4,977,198               | 3,481                             | 4,980,679            |
| Golf Course Fund (includes     |                         |                                   |                      |
| customer deposits)             | 10,000                  | -                                 | 10,000               |
|                                | <u>\$ 49,894,058</u>    | <u>\$ 136,527</u>                 | <u>\$ 50,030,585</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, 2011, net assets are 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.

**(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 842 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 842 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2010, valuations are contained in the 2010 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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 2010)

|                                    |         |
|------------------------------------|---------|
| 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 actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The unit credit actuarial cost method is used for determining the City contribution 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, 2010 valuation is effective for the rates beginning January 2012)

**C. Annual Pension Cost**

Contributions by the City were \$6,331,111 or 12.70% of the covered payroll of \$49,857,178 as required by the actuarial valuation. The total fiscal year 2011 payroll was \$51,027,679.

**CITY OF MCKINNEY, TEXAS**  
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Annual City pension cost and related information for the last three years is as follows:

|  | FY2010-11                  | FY2009-10                  | FY2008-09                  |
|--|----------------------------|----------------------------|----------------------------|
|  | 12/31/10                   | 12/31/09                   | 12/31/08                   |
| <u>Actuarial Information</u>   |                            |                            |                            |
| Actuarial cost method  | Projected Unit Credit      | Projected Unit Credit      | Projected Unit Credit      |
| Amortization method  | Level %                    | Level %                    | Level %                    |
| Amortization period  | 27.2 years-closed period   | 28 years-closed period     | 29 years-closed period     |
| Asset valuation method   | 10-year smoothed market    | 10-year smoothed market    | Amortized cost             |
| Assumptions  |                            |                            |                            |
| Investment return  | 7%                         | 7.5%                       | 7.5%                       |
| 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>                                 |                            |                            |                            |
| Actuarial valuation date   | 12/31/10                   | 12/31/09                   | 12/31/08                   |
| Actuarial Value of Assets  | \$ 105,262,299             | \$ 77,363,412              | \$ 66,901,198              |
| Actuarial Accrued Liability  | \$ 145,078,402             | \$ 116,653,084             | \$ 104,411,186             |
| Unfunded (Over-funded) Actuarial                                       |                            |                            |                            |
| Accrued Liability (UAAL)   | \$ 39,816,103              | \$ 39,289,672              | \$ 37,509,988              |
| Funded ratio   | 72.6%                      | 66.3%                      | 64.1%                      |
| Annual Covered Payroll   | \$ 48,533,150              | \$ 48,030,872              | \$ 47,208,569              |
| UAAL as a Percentage of Covered Payroll                                | 82.0%                      | 81.8%                      | 79.5%                      |

The City's net pension obligation (NPO) for TMRS at December 31, 2010, 2009 and 2008 is calculated as follows:

|                                    | FY2010-11   | FY2009-10   | FY2008-09   |
|------------------------------------|-------------|-------------|-------------|
|                                    | 12/31/2010  | 12/31/2009  | 12/31/2008  |
| Actuarial valuation date:          |             |             |             |
| NPO, beginning of the year         | \$ -        | \$ -        | \$ -        |
| Annual pension cost:               |             |             |             |
| Annual required contribution (ARC) | 6,331,111   | 5,695,719   | 5,245,018   |
| Contributions Made                 | (6,331,111) | (5,695,719) | (5,245,018) |
| NPO, end of the year               | \$ -        | \$ -        | \$ -        |

**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.

**CITY OF MCKINNEY, TEXAS  
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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 assets available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2011, 2010 and 2009, were \$78,394, \$77,560, and \$81,040, 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.

**(6) OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description**

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

**B. Benefits Provided**

The City provides post-employment medical and dental benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for cover an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than ninety days from termination of employment; and
3. Enroll for retiree Health coverage within thirty-one days of the date of termination.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

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As of September 30, 2011, membership consisted of:

|  |                   |
|--|-------------------|
| Retirees and beneficiaries receiving benefits                    | 18                |
| Terminated employees eligible for benefits, but not yet enrolled | 20                |
| Active employees   | <u>761</u>        |
| Total  | <u><u>799</u></u> |

**C. Funding Policy**

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving medical benefits contribute \$530 per month for retiree-only coverage, \$848 per month for retiree and spouse, \$742 per month for retiree and children, and \$1,061 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

**D. 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 a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2011:

|  | <u>2011</u>              | <u>2010</u>              | <u>2009</u>             |
|--|--------------------------|--------------------------|-------------------------|
| Annual required contribution               | \$ 411,782               | \$ 152,411               | \$ 152,411              |
| Interest on prior year Net OPEB obligation | 8,419                    | 2,853                    | -                       |
| Adjustment to annual required contribution | <u>(8,419)</u>           | <u>(2,853)</u>           | <u>-</u>                |
| Annual OPEB cost                           | 411,782                  | 152,411                  | 152,411                 |
| Contributions made                         | <u>170,276</u>           | <u>28,736</u>            | <u>89,003</u>           |
| Increase in net OPEB obligation            | 241,506                  | 123,675                  | 63,408                  |
| Net Obligation - beginning of year         | <u>187,083</u>           | <u>63,408</u>            | <u>-</u>                |
| Net Obligation - end of year               | <u><u>\$ 428,589</u></u> | <u><u>\$ 187,083</u></u> | <u><u>\$ 63,408</u></u> |
| Percentage of OPEB costs contributed       | 41.35%                   | 18.85%                   | 58.40%                  |

**Funded Status and Funding Progress**

The funded status of the plan as of actuarial measurement date of December 31, 2011 was as follows:

|  |                            |
|--|----------------------------|
| Actuarial accrued liability  | \$ 3,102,107               |
| Actuarial value of plan assets   | <u>-</u>                   |
| Unfunded actuarial accrued liability                                       | <u><u>\$ 3,102,107</u></u> |
| Funded ratio   | 0.0%                       |
| Covered payroll  | 48,533,150                 |
| Unfunded actuarial accrued liability<br>as a percentage of covered payroll | 6.39%                      |

**CITY OF MCKINNEY, TEXAS  
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Although not considered contributions under GASB 45, the City has assigned \$1,530,120 of fund balance in the General Fund for funding of the OPEB liability.

**E. 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, 2011 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 10.0% 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, 2011, were \$13,692,963.

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, 2011, was \$11,079,825.

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, 2011, was \$4,543,915.

**(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 issued \$2,600,000 in revenue bonds to be used for the construction of a water supply and distribution system benefiting the Cities of McKinney and Frisco. The outstanding principal of the revenue bonds has been paid in full as of September 30, 2011. The City of McKinney and the City of Frisco have guaranteed the payment of the bond principal and interest, and certain related administrative costs.

The City made monthly operating payments to NTMWD totaling \$0 in fiscal year 2011, in compliance with this agreement. As of September 30, 2011, the City of Frisco is also in compliance with this agreement.

NTMWD issued \$1,700,000 in revenue bonds in 1995 to be used for the acquisition and construction of facilities to provide wastewater transportation services for the City. The City of McKinney has guaranteed the payment of the bond principal and interest and certain related administrative costs. The outstanding principal of the revenue bonds as of September 30, 2011, is \$520,000. The City made monthly operating payments to NTMWD totaling \$143,148 in fiscal year 2011.

**(10) INSURANCE AND RISK MANAGEMENT**

The City's General 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 General 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 \$125,000. The City utilizes the Group & Pension Administrators ("GPA") 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, 2011, the City and the City's employees' contributions paid under the Plan were \$8,544,523 and \$1,543,942 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 \$450,000. During 2011 the City contributed \$422,534 to the General Fund for workers' compensation.

The City maintains a deductible of \$25,000 per occurrence for property, and \$50,000 for all liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. During 2011, the City contributed \$148,534 for property and general liability.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, 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 financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.



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The changes in the Insurance and Risk Management liability amount in fiscal 2011 and 2010 were:

|               | Liability<br>Beginning of<br>Year | Current Year<br>Claims and<br>Changes in<br>Estimates | Claim<br>Payments and<br>Changes in<br>Estimates | Liability End<br>of Year | Due Within<br>One Year |
|---------------|-----------------------------------|---|--|--------------------------|------------------------|
| 2011:         |                                   |   |  |                          |                        |
| Health Claims | \$ 1,312,366                      | \$ 11,159,060   | \$ (11,471,087)                                  | \$ 1,000,339             | \$ 1,000,339           |
| Workers' Comp | 314,948                           | 422,534   | (453,909)  | 283,573                  | 283,573                |
| Totals        | <u>\$ 1,627,314</u>               | <u>\$ 11,581,594</u>                                  | <u>\$ (11,924,996)</u>                           | <u>\$ 1,283,912</u>      | <u>\$ 1,283,912</u>    |
| 2010:         |                                   |   |  |                          |                        |
| Health Claims | \$ 1,001,962                      | \$ 10,369,088   | \$ (10,058,684)                                  | \$ 1,312,366             | \$ 1,312,366           |
| Workers' Comp | 406,154                           | 209,208   | (300,414)  | 314,948                  | 314,948                |
| Totals        | <u>\$ 1,408,116</u>               | <u>\$ 10,578,296</u>                                  | <u>\$ (10,359,098)</u>                           | <u>\$ 1,627,314</u>      | <u>\$ 1,627,314</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**

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, 2011 consist of and are classified in the accompanying financial statements as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Statement of net assets:             |                     |
| Cash and cash equivalents            | \$ 5,914,675        |
| Investments                          | 1,000,000           |
| Restricted cash and cash equivalents | <u>1,990,385</u>    |
| Total cash and investments           | <u>\$ 8,905,060</u> |
| Cash on hand                         | \$ 200              |
| Deposits with financial institution  | 1,531,583           |
| Investments                          | <u>7,373,277</u>    |
| Total cash and investments           | <u>\$ 8,905,060</u> |

**CITY OF MCKINNEY, TEXAS**  
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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<br>Investment Type                | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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 is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less then 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, 2011, MEDC had the following investments:

| Investment Type           | Amount              | Weighted<br>Average<br>Maturity |
|---------------------------|---------------------|---------------------------------|
| LOGIC                     | \$ 1,000,113        | 42 days                         |
| Texas CLASS               | 5,373,164           | 31 days                         |
| Federal Agency Securities | 1,000,000           | 731 days                        |
|                           | <u>\$ 7,373,277</u> |                                 |

As of September 30, 2011 MEDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

**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, 2011**

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.

| Investment Type           | Amount              | Minimum<br>Legal<br>Rating | Rating as<br>of Year<br>End |
|---------------------------|---------------------|----------------------------|-----------------------------|
| LOGIC                     | \$ 1,000,113        | AAA/AAA-m                  | AAA-m                       |
| Texas CLASS               | 5,373,164           | AAA/AAA-m                  | AAA-m                       |
| Federal Agency Securities | 1,000,000           | AAA                        | AAA                         |
|                           | <u>\$ 7,373,277</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, 2011 MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. Receivables**

At September 30, 2011, accounts and notes receivable on the Statement of Net Assets 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. The receivable balances as reported at September 30, 2011 are as follows:

|                       |                     |
|-----------------------|---------------------|
| Receivables           | <u>Total</u>        |
| Interest              | \$ 317              |
| Taxes                 | <u>1,462,798</u>    |
| Gross receivables     | 1,463,115           |
| Less: allowance       | <u>-</u>            |
| Net total receivables | <u>\$ 1,463,115</u> |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

**C. CAPITAL ASSETS**

|   | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|---|----------------------|-------------|-----------|-------------------|
| Component unit activities:                    |                      |             |           |                   |
| Capital assets, not being depreciated:        |                      |             |           |                   |
| Land  | \$ 23,327,476        | \$ -        | \$ -      | \$ 23,327,476     |
| Total capital assets, not being depreciated   | 23,327,476           | -           | -         | 23,327,476        |
| Capital assets, being depreciated:            |                      |             |           |                   |
| Leasehold improvement                         | 25,434               | -           | -         | 25,434            |
| Improvements other than buildings             | 257,783              | -           | -         | 257,783           |
| Machinery and equipment                       | 36,215               | -           | (6,420)   | 29,795            |
| Total capital assets being depreciated        | 319,432              | -           | (6,420)   | 313,012           |
| Less accumulated depreciation for:            |                      |             |           |                   |
| Leasehold improvement                         | (17,356)             | (2,020)     | -         | (19,376)          |
| Improvements other than buildings             | (155,743)            | (12,889)    | -         | (168,632)         |
| Machinery and equipment                       | (18,315)             | (4,570)     | 6,420     | (16,465)          |
| Total accumulated depreciation                | (191,414)            | (19,479)    | 6,420     | (204,473)         |
| Total capital assets, being depreciated, net  | 128,018              | (19,479)    | -         | 108,539           |
| Component unit activities capital assets, net | \$ 23,455,494        | \$ (19,479) | \$ -      | \$ 23,436,015     |

**D. DEFERRED/UNEARNED REVENUE**

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Receivables from developers are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the MEDC had \$0 of deferred revenue reported in the governmental funds.

**E. LONG-TERM DEBT**

|                                    | Beginning<br>Balance | Additions     | Reductions     | Ending<br>Balance | Due Within<br>One Year |
|------------------------------------|----------------------|---------------|----------------|-------------------|------------------------|
| Component unit activities:         |                      |               |                |                   |                        |
| Bonds payable                      |                      |               |                |                   |                        |
| Sales tax revenue bonds            | \$ -                 | \$ 16,460,000 | \$ -           | \$ 16,460,000     | \$ 900,000             |
| Note payable                       | 8,454,246            | -             | (8,454,246)    | -                 | -                      |
| Note payable to primary government | 9,280,000            | -             | (1,185,000)    | 8,095,000         | 1,270,000              |
| Compensated absences               | 54,185               | 5,907         | (35,255)       | 24,837            | 5,298                  |
| Component unit activities          |                      |               |                |                   |                        |
| Long-term debt                     | \$ 17,788,431        | \$ 16,465,907 | \$ (9,674,501) | \$ 24,579,837     | \$ 2,175,298           |

Bonds Payable consisted of the following as of September 30, 2011:

|                                       | Issue<br>Date | Interest<br>Rate | Maturity<br>Date | Amount<br>Outstanding |
|---------------------------------------|---------------|------------------|------------------|-----------------------|
| <u>Bonds Payable:</u>                 |               |                  |                  |                       |
| Sales Tax Revenue Bonds 2011          | 2/1/2011      | 2.5-5.6%         | 9/1/2025         | \$ 9,600,000          |
| Sales Tax Revenue Bonds, Taxable 2011 | 2/1/2011      | 2.5-5.6%         | 9/1/2025         | 6,860,000             |
| Total bonds payable                   |               |                  |                  | <u>\$ 16,460,000</u>  |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

In February of 2011, sales tax revenue bonds, taxable in the amount of \$9,600,000 and sales tax revenue bonds in the amount of \$6,860,000 were issued for capital improvements with interest rates ranging from 2.50% to 5.60%.

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, 2011 are as:

| Fiscal Year | Sales Tax Revenue 2011 Bonds |                       |                      | Sales Tax Revenue 2011 Taxable Bonds |                       |                     |
|-------------|------------------------------|-----------------------|----------------------|--------------------------------------|-----------------------|---------------------|
|             | Principal Requirements       | Interest Requirements | Total                | Principal Requirements               | Interest Requirements | Total               |
| 2012        | \$ 505,000                   | \$ 449,365            | \$ 954,365           | \$ 395,000                           | \$ 242,787            | \$ 637,787          |
| 2013        | 520,000                      | 429,165               | 949,165              | 400,000                              | 232,912               | 632,912             |
| 2014        | 535,000                      | 408,365               | 943,365              | 410,000                              | 222,912               | 632,912             |
| 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             |
| 2017-2021   | 3,375,000                    | 1,441,558             | 4,816,558            | 2,435,000                            | 774,213               | 3,209,213           |
| 2022-2025   | 3,535,000                    | 500,115               | 4,035,115            | 2,365,000                            | 257,700               | 2,622,700           |
|             | <u>\$ 9,600,000</u>          | <u>\$ 3,980,298</u>   | <u>\$ 13,580,298</u> | <u>\$ 6,860,000</u>                  | <u>\$ 2,139,150</u>   | <u>\$ 8,999,150</u> |

**F. NOTES PAYABLE TO PRIMARY GOVERNMENT AND OTHER ENTITIES**

Notes Payable to Primary Government consisted of the following as of September 30, 2011:

| Notes Payable (related to): | Amount Outstanding  |
|-----------------------------|---------------------|
| Certificate of Obligation   | \$ 240,000          |
| Taxable 2002 Bonds          | 3,855,000           |
| Tax Exempt 2002 Bonds       | 4,000,000           |
|                             | <u>\$ 8,095,000</u> |

In fiscal year 1999, MEDC agreed to pay the principal and interest on \$500,000 of City certificate of obligation funds. The \$500,000 was used for Airport infrastructure engineering and construction costs.

Debt service requirements of the notes payable for City certificate of obligation funds the years subsequent to September 30, 2011, are as:

| Fiscal Year | Principal Requirements | Interest Requirements | Total             |
|-------------|------------------------|-----------------------|-------------------|
| 2012        | \$ 65,000              | \$ 11,094             | \$ 76,094         |
| 2013        | 75,000                 | 8,169                 | 83,169            |
| 2014        | 100,000                | 4,700                 | 104,700           |
|             | <u>\$ 240,000</u>      | <u>\$ 23,963</u>      | <u>\$ 263,963</u> |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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In 2006, the MEDC entered into an agreement with a developer in order to purchase some land. As a result of this agreement they negotiated two loans totaling \$8,454,246. The proceeds were utilized to secure 27 acres of land, which is anticipated to be used at a later date for commercial retail property. Under the loan agreement the MEDC will make interest-only payments on a monthly basis at LIBOR plus 4%. \$3,503,361 of the loan proceeds was transferred to the City in order to purchase the land due to legal restraints under the property. The remaining \$4,950,885 was used to secure part of the 27 acres with a value of the same. The maturity date of the note is the "transfer date" of the land as defined under the Master Development Agreement. This project was halted once the MEDC brought suit for breach of contract and the developer counter-sued alleging breach of the economic development agreement for the hotel construction as well as for related damages under the retail development transaction. The lawsuit was settled in December 2010, and all claims have been released. In 2011, the loan between the City and MEDC was paid in full.

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 July of 2010, the City Council authorized the transfer of half of the MEDC's outstanding loans from the General Fund to the Solid Waste Fund. The transfer was in the amount of \$5,177,500. The transfer will not affect the loan agreement with MEDC.

Debt service requirements of the notes payable applicable to the Taxable 2002 bonds for the years subsequent to September 30, 2011 are as:

| <u>Fiscal Year</u> | <u>Principal Requirements</u> | <u>Interest Requirements</u> | <u>Total</u>        |
|--------------------|-------------------------------|------------------------------|---------------------|
| 2012               | \$ 1,205,000                  | \$ 192,750                   | \$ 1,397,750        |
| 2013               | 1,285,000                     | 132,500                      | 1,417,500           |
| 2014               | 1,365,000                     | 68,250                       | 1,433,250           |
|                    | <u>\$ 3,855,000</u>           | <u>\$ 393,500</u>            | <u>\$ 4,248,500</u> |

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2011 are as:

| <u>Fiscal Year</u> | <u>Principal Requirements</u> | <u>Interest Requirements</u> | <u>Total</u>        |
|--------------------|-------------------------------|------------------------------|---------------------|
| 2012               | \$ -                          | \$ 160,000                   | \$ 160,000          |
| 2013               | -                             | 160,000                      | 160,000             |
| 2014               | -                             | 160,000                      | 160,000             |
| 2015               | 1,270,000                     | 160,000                      | 1,430,000           |
| 2016               | 1,335,000                     | 109,200                      | 1,444,200           |
| 2017               | 1,395,000                     | 55,800                       | 1,450,800           |
|                    | <u>\$ 4,000,000</u>           | <u>\$ 805,000</u>            | <u>\$ 4,805,000</u> |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

**(12) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION**

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, 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, 2011 consist of and are classified in the accompanying financial statements as follows:

|                                     |                      |
|-------------------------------------|----------------------|
| Statement of net assets:            |                      |
| Cash and cash equivalents           | \$ 18,504,133        |
| Investments                         | 4,068,600            |
| Total cash and investments          | <u>\$ 22,572,733</u> |
|                                     |                      |
| Cash on hand                        | \$ 200               |
| Deposits with financial institution | 763,166              |
| Investments                         | 21,809,367           |
| Total cash and investments          | <u>\$ 22,572,733</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<br>Investment Type                | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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  
YEAR ENDED SEPTEMBER 30, 2011**

According to the City's investment policy MCDC manages its exposure to interest rate risk is 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, 2011, MCDC had the following investments:

| Investment Type           | Amount        | Weighted Average Maturity |
|---------------------------|---------------|---------------------------|
| TexPool                   | \$ 2,111,100  | 48 days                   |
| LOGIC                     | 8,124,500     | 42 days                   |
| Texas CLASS               | 7,505,167     | 31 days                   |
| Federal Agency Securities | 4,068,600     | 1236 days                 |
|                           | \$ 21,809,367 |                           |

As of September 30, 2011 MCDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

MCDC investments include \$2,005,000 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 issue can call the issue prior to the step up date. The range of the step up is between 1.30% and 3.00%.

**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, MCDC's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

| Investment Type           | Amount        | Minimum Legal Rating | Rating as of Year End |
|---------------------------|---------------|----------------------|-----------------------|
| TexPool                   | \$ 2,111,100  | AAA/AAA-m            | AAA-m                 |
| LOGIC                     | 8,124,500     | AAA/AAA-m            | AAA-m                 |
| Texas CLASS               | 7,505,167     | AAA/AAA-m            | AAA-m                 |
| Federal Agency Securities | 4,068,600     | AAA                  | AAA                   |
|                           | \$ 21,809,367 |                      |                       |



**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

**Concentration of credit risk**

The investment policy of MCDC contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2011, investments other than external investment pools that represent 5% or more of MCDC's investments are as follows:

| <u>Issuer</u> | <u>Investment Type</u>    | <u>Reported Amount</u> |
|---------------|---------------------------|------------------------|
| FHLB          | Federal agency securities | \$ 2,005,000           |

**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, 2011 MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. RECEIVABLES**

At September 30, 2011, accounts receivable include \$1,462,798 representing sales tax owed to MCDC and accrued interest of \$24,167. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2011.

**C. CAPITAL ASSETS**

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Component unit activities                      |                              |                  |                  |                           |
| Capital Assets, not being depreciated:         |                              |                  |                  |                           |
| Land   | \$ 532,529                   | \$ -             | \$ -             | \$ 532,529                |
| Total capital assets, not being depreciated    | <u>532,529</u>               | <u>-</u>         | <u>-</u>         | <u>532,529</u>            |
| Capital assets, being depreciated:             |                              |                  |                  |                           |
| Machinery & Equipment                          | 8,431                        | -                | (8,431)          | -                         |
| Total capital assets, being depreciated        | <u>8,431</u>                 | <u>-</u>         | <u>(8,431)</u>   | <u>-</u>                  |
| Less accumulated depreciation for:             |                              |                  |                  |                           |
| Machinery & Equipment                          | (8,431)                      | -                | 8,431            | -                         |
| Total accumulated depreciation                 | <u>(8,431)</u>               | <u>-</u>         | <u>8,431</u>     | <u>-</u>                  |
| Total capital assets, being depreciated, net   | <u>-</u>                     | <u>-</u>         | <u>-</u>         | <u>-</u>                  |
| Component unit activities, capital assets, net | <u>\$ 532,529</u>            | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 532,529</u>         |

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

**(13) MCKINNEY AIRPORT DEVELOPMENT CORPORATION**

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, MADC is a discretely presented component unit on the combined financial statements. In March 2008, a resolution was passed forming the McKinney Airport Development Corporation (MADC). The purpose of the MADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. Under a contract with the MADC, the City performs financial services for the MADC.

**A. DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

|                                      |                     |
|--------------------------------------|---------------------|
| Statement of net assets:             |                     |
| Cash and cash equivalents            | \$ 626,158          |
| Restricted cash and cash equivalents | 1,729,362           |
| Total cash and investments           | <u>\$ 2,355,520</u> |
|                                      |                     |
| Cash on hand                         | \$ 200              |
| Deposits with financial institution  | 1,100,088           |
| Investments                          | 1,255,232           |
| Total cash and investments           | <u>\$ 2,355,520</u> |

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

| Authorized<br>Investment Type                | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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 MADC to have independent auditors perform test procedures related to investment practices as provided by the Act. The MADC 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 MADC manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

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

As of September 30, 2011, MADC had the following investments:

| <u>Investment Type</u> | <u>Amount</u>       | <u>Weighted<br/>Average<br/>Maturity</u> |
|------------------------|---------------------|--|
| LOGIC                  | \$ 1,255,232        | 42 days                                  |
|                        | <u>\$ 1,255,232</u> |  |

As of September 30, 2011 MADC did not invest in any securities which are highly sensitive to interest rate fluctuations.

**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, MADC'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<br/>Legal<br/>Rating</u> | <u>Rating as<br/>of Year<br/>End</u> |
|------------------------|---------------------|-------------------------------------|--------------------------------------|
| LOGIC                  | \$ 1,255,232        | AAA/AAA-m                           | AAA-m                                |
|                        | <u>\$ 1,255,232</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 MADC'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, 2011 MADC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011**

**B. RECEIVABLES**

At September 30, 2011, accounts receivable include \$19,541 for services provided. Receivables as of year-end for MADC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2011.

**C. CAPITAL ASSETS**

|  | Beginning<br>Balance | Increases            | Decreases         | Transfers          | Ending<br>Balance    |
|--|----------------------|----------------------|-------------------|--------------------|----------------------|
| Business-type activities:                      |                      |                      |                   |                    |                      |
| Capital assets not being depreciated:          |                      |                      |                   |                    |                      |
| Land   | \$ 13,851,019        | \$ -                 | \$ -              | \$ -               | \$ 13,851,019        |
| Construction in progress                       | 22,546,806           | 13,050,228           | (2,428)           | (9,235,125)        | 26,359,481           |
| Total capital assets, not being depreciated    | <u>36,397,825</u>    | <u>13,050,228</u>    | <u>(2,428)</u>    | <u>(9,235,125)</u> | <u>40,210,500</u>    |
| Capital assets being depreciated:              |                      |                      |                   |                    |                      |
| Buildings                                      | 1,467,062            | -                    | -                 | 439,531            | 1,906,593            |
| Infrastructure                                 | 17,759,138           | -                    | -                 | 8,795,594          | 26,554,732           |
| Machinery & equipment                          | 473,302              | 7,000                | -                 | -                  | 480,302              |
| Total capital assets being depreciated         | <u>19,699,502</u>    | <u>7,000</u>         | <u>-</u>          | <u>9,235,125</u>   | <u>28,941,627</u>    |
| Less accumulated depreciation for:             |                      |                      |                   |                    |                      |
| Buildings                                      | (490,118)            | (69,345)             | -                 | -                  | (559,463)            |
| Infrastructure                                 | (9,180,668)          | (694,803)            | -                 | -                  | (9,875,471)          |
| Machinery and equipment                        | (251,793)            | (49,960)             | -                 | -                  | (301,753)            |
| Total accumulated depreciation                 | <u>(9,922,579)</u>   | <u>(814,108)</u>     | <u>-</u>          | <u>-</u>           | <u>(10,736,687)</u>  |
| Total capital assets<br>being depreciated, net | <u>9,776,923</u>     | <u>(807,108)</u>     | <u>-</u>          | <u>9,235,125</u>   | <u>18,204,940</u>    |
| Business-type activities capital assets, net   | <u>\$ 46,174,748</u> | <u>\$ 12,243,120</u> | <u>\$ (2,428)</u> | <u>\$ -</u>        | <u>\$ 58,415,440</u> |

**(14) MCKINNEY CONVENTION & VISITORS BUREAU**

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, 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, 2011 consist of and are classified in the accompanying financial statements as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| Statement of net assets:            |                   |
| Cash and cash equivalents           | \$ 431,065        |
| Total cash and investments          | <u>\$ 431,065</u> |
| Deposits with financial institution | \$ 227,735        |
| Investments                         | 203,330           |
| Total cash and investments          | <u>\$ 431,065</u> |

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2011**

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<br>Investment Type                | Maximum<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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 is 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, 2011, MCVB had the following investments:

| Investment Type | Amount            | Weighted<br>Average<br>Maturity |
|-----------------|-------------------|---------------------------------|
| LOGIC           | \$ 203,330        | 42 days                         |
|                 | <u>\$ 203,330</u> |                                 |

As of September 30, 2011 MCVB did not invest in any securities which are highly sensitive to interest rate fluctuations.

**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, 2011**

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

| Investment Type | Amount            | Minimum<br>Legal<br>Rating | Rating as<br>of Year<br>End |
|-----------------|-------------------|----------------------------|-----------------------------|
| LOGIC           | \$ 203,330        | AAA/AAA-m                  | AAA-m                       |
|                 | <u>\$ 203,330</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 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.

As of September 30, 2011 MCVB deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**(15) SUBSEQUENT EVENTS**

The City has evaluated all events or transaction that occurred after September 30, 2011 up through March 1, 2012, the date the financial statements were issued.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



**McKINNEY**<sup>TM</sup>

**T E X A S**

*Unique by nature.*<sup>SM</sup>



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

| <b>Fiscal<br/>Year *</b> | <b>(1)<br/>Actuarial<br/>Value **<br/>Of Assets</b> | <b>(2)<br/>Actuarial<br/>Accrued<br/>Liability</b> | <b>(3)<br/>Percentage<br/>Funded<br/>(1)/(2)</b> | <b>(4)<br/>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(2)-(1)</b> | <b>(5)<br/>Annual<br/>Covered<br/>Payroll</b> | <b>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>as a<br/>Percentage<br/>of Covered<br/>Payroll<br/>(4)/(5)</b> |
|--------------------------|---|--|--|---|---|--|
| 2003                     | \$ 31,088,506                                       | \$ 40,611,343                                      | 76.6%  | \$ 9,522,837  | \$ 22,094,033                                 | 43.1%  |
| 2004                     | 36,507,673  | 49,191,302   | 74.2%  | 12,683,629  | 24,521,936                                    | 51.7%  |
| 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%  |

\* 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<br>Year * | (1)<br>Actuarial<br>Value<br>Of Assets | (2)<br>Actuarial<br>Accrued<br>Liability | (3)<br>Percentage<br>Funded<br>(1)/(2) | (4)<br>Unfunded<br>Actuarial<br>Accrued<br>Liability<br>(2)-(1) | (5)<br>Annual<br>Covered<br>Payroll | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>as a<br>Percentage<br>of Covered<br>Payroll<br>(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%  |

\* 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, 2011**

|  | <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> |
| <b>REVENUES</b>                                      |                         |                     |                     |                            |
| Property taxes                                       | \$ 19,105,493           | \$ 19,105,493       | \$ 19,041,756       | \$ (63,737)                |
| Charges for service                                  | 528,000                 | 528,000             | 528,000             | -                          |
| Investment income                                    | 50,000                  | 50,000              | 34,672              | (15,328)                   |
| <b>Total revenues</b>                                | <b>19,683,493</b>       | <b>19,683,493</b>   | <b>19,604,428</b>   | <b>(79,065)</b>            |
| <b>EXPENDITURES</b>                                  |                         |                     |                     |                            |
| Principal retirement                                 | 9,980,000               | 9,980,000           | 9,980,000           | -                          |
| Interest and fiscal charges                          | 10,309,135              | 10,309,135          | 10,254,116          | 55,019                     |
| <b>Total expenditures</b>                            | <b>20,289,135</b>       | <b>20,289,135</b>   | <b>20,234,116</b>   | <b>55,019</b>              |
| Excess/(deficiency) of revenues<br>over expenditures | (605,642)               | (605,642)           | (629,688)           | (24,046)                   |
| Net changes in fund balances                         | (605,642)               | (605,642)           | (629,688)           | (24,046)                   |
| Fund balances, beginning of year                     | 1,891,142               | 1,891,142           | 1,891,142           | -                          |
| Fund balances, end of year                           | <u>\$ 1,285,500</u>     | <u>\$ 1,285,500</u> | <u>\$ 1,261,454</u> | <u>\$ (24,046)</u>         |



*Unique by nature.*<sup>SM</sup>

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

**FIRE DEPARTMENT DONATIONS/SECURITY FUND** – to account for Federal grants and funds donated by businesses and citizens to assist in the purchase of fire department equipment and related expenses.

**LIBRARY GIFT FUND** - to account for 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.

**GRANT FUND** – to account for state, federal grants, and funding received for governmental operations and projects.

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## NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

### CAPITAL PROJECTS FUNDS

**EQUIPMENT AND INFRASTRUCTURE REPLACEMENT FUND** – to account for the financing of capital, computer equipment and infrastructure needs.

**FIRE IMPROVEMENTS FUND** - to account for the acquisition of new facilities and renovation of various existing fire facilities. Proceeds from the sale of general obligation bonds provide financing.

**PARK CONSTRUCTION FUND** - to account for the financing and construction of various parks and recreation facilities. Proceeds from nonrecurring revenue sources are allocated to this fund.

**FACILITIES IMPROVEMENT FUND** – to account for financing and construction of new buildings and renovations.

**LIBRARY FUND** – to account for the financing and construction of library facilities. Proceeds from the sale of general obligation bonds provide financing.

**STORMWATER CONSTRUCTION FUND** – to account for the financing and construction of drainage related improvements. Proceeds from the sale of general obligation bonds provide financing.

**CITY OF MCKINNEY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011**

|  | <b>Special Revenue</b>                        |                            |   |                         |                              |                   |
|--|---|----------------------------|---|-------------------------|------------------------------|-------------------|
|  | <b>MPAC/Cultural<br/>Arts/Main<br/>Street</b> | <b>Law<br/>Enforcement</b> | <b>Fire<br/>Donations<br/>/Security</b> | <b>Library<br/>Gift</b> | <b>Community<br/>Housing</b> | <b>Grants</b>     |
| <b>ASSETS</b>                                  |   |                            |   |                         |                              |                   |
| Cash and cash equivalents                      | \$ -  | \$ 237,320                 | \$ 26,858                               | \$379,855               | \$ 58,070                    | \$ 9,752          |
| Investments                                    | -   | -                          | -                                       | -                       | -                            | -                 |
| Receivables:                                   |   |                            |   |                         |                              |                   |
| Accounts                                       | -   | -                          | -                                       | -                       | 9                            | 19,260            |
| Accrued interest                               | -   | -                          | -                                       | -                       | -                            | -                 |
| Other receivable                               | -   | -                          | -                                       | 5,000                   | -                            | -                 |
| Due from other governments                     | -   | -                          | -                                       | -                       | 266,553                      | 284,479           |
| Prepaid items                                  | -   | -                          | -                                       | 6,000                   | -                            | -                 |
| <b>Total assets</b>                            | <b>\$ -</b>                                   | <b>\$ 237,320</b>          | <b>\$ 26,858</b>                        | <b>\$390,855</b>        | <b>\$ 324,632</b>            | <b>\$ 313,491</b> |
| <b>LIABILITIES</b>                             |   |                            |   |                         |                              |                   |
| Accounts payable                               | \$ -  | \$ -                       | \$ -                                    | \$ -                    | \$ 104,177                   | \$ 48,235         |
| Other accrued liabilities                      | -   | 72,433                     | -                                       | -                       | 5,450                        | 53,770            |
| Due to other funds                             | -   | -                          | -                                       | -                       | 150,000                      | 50,000            |
| Deferred revenue                               | -   | -                          | -                                       | -                       | -                            | 11,194            |
| <b>Total liabilities</b>                       | <b>-</b>                                      | <b>72,433</b>              | <b>-</b>                                | <b>-</b>                | <b>259,627</b>               | <b>163,199</b>    |
| <b>FUND BALANCES</b>                           |   |                            |   |                         |                              |                   |
| NonSpendable                                   |   |                            |   |                         |                              |                   |
| Prepaid items                                  | -   | -                          | -                                       | 6,000                   | -                            | -                 |
| Restricted                                     |   |                            |   |                         |                              |                   |
| Capital Projects                               | -   | -                          | -                                       | -                       | -                            | -                 |
| Law Enforcement                                | -   | 164,887                    | -                                       | -                       | -                            | -                 |
| Fire   | -   | -                          | 26,858                                  | -                       | -                            | -                 |
| Library  | -   | -                          | -                                       | 384,855                 | -                            | -                 |
| Community Housing                              | -   | -                          | -                                       | -                       | 65,005                       | -                 |
| Grants   | -   | -                          | -                                       | -                       | -                            | 150,292           |
| <b>Total fund balances</b>                     | <b>-</b>                                      | <b>164,887</b>             | <b>26,858</b>                           | <b>390,855</b>          | <b>65,005</b>                | <b>150,292</b>    |
| <b>Total liabilities<br/>and fund balances</b> | <b>\$ -</b>                                   | <b>\$ 237,320</b>          | <b>\$ 26,858</b>                        | <b>\$390,855</b>        | <b>\$ 324,632</b>            | <b>\$ 313,491</b> |



**Capital Projects**

| <b>Equipment /<br/>Infrastructure<br/>Replacement</b> | <b>Fire<br/>Improvements</b> | <b>Park<br/>Construction</b> | <b>Facilities<br/>Improvement</b> | <b>Library</b>   | <b>Stormwater<br/>Construction</b> | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|---|------------------------------|------------------------------|-----------------------------------|------------------|------------------------------------|--|
| \$ 1,311,643  | \$ 441,096                   | \$22,722,596                 | \$ 7,930,906                      | \$558,980        | \$ 3,369,937                       | \$ 37,047,013                                    |
| -   | -                            | 1,500,300                    | -                                 | -                | -                                  | 1,500,300  |
| -   | -                            | -                            | -                                 | -                | -                                  | 19,269   |
| -   | -                            | 10,325                       | -                                 | -                | -                                  | 10,325   |
| -   | -                            | -                            | -                                 | -                | -                                  | 5,000  |
| -   | -                            | -                            | -                                 | -                | 458,245                            | 1,009,277  |
| 417,897   | -                            | -                            | -                                 | -                | -                                  | 423,897  |
| <b>\$ 1,729,540</b>                                   | <b>\$ 441,096</b>            | <b>\$24,233,221</b>          | <b>\$ 7,930,906</b>               | <b>\$558,980</b> | <b>\$ 3,828,182</b>                | <b>\$ 40,015,081</b>                             |
| \$ 338  | \$ -                         | \$ 1,434,782                 | \$ -                              | \$ -             | \$ 15,800                          | \$ 1,603,332                                     |
| -   | 82,000                       | 197,582                      | 9,548                             | -                | 40,855                             | 461,638  |
| -   | -                            | -                            | -                                 | -                | -                                  | 200,000  |
| -   | -                            | -                            | -                                 | -                | -                                  | 11,194   |
| 338   | 82,000                       | 1,632,364                    | 9,548                             | -                | 56,655                             | 2,276,164  |
| 417,897   | -                            | -                            | -                                 | -                | -                                  | 423,897  |
| 1,311,305   | 359,096                      | 22,600,857                   | 7,921,358                         | 558,980          | 3,771,527                          | 36,523,123                                       |
| -   | -                            | -                            | -                                 | -                | -                                  | 164,887  |
| -   | -                            | -                            | -                                 | -                | -                                  | 26,858   |
| -   | -                            | -                            | -                                 | -                | -                                  | 384,855  |
| -   | -                            | -                            | -                                 | -                | -                                  | 65,005   |
| -   | -                            | -                            | -                                 | -                | -                                  | 150,292  |
| 1,729,202   | 359,096                      | 22,600,857                   | 7,921,358                         | 558,980          | 3,771,527                          | 37,738,917                                       |
| <b>\$ 1,729,540</b>                                   | <b>\$ 441,096</b>            | <b>\$24,233,221</b>          | <b>\$ 7,930,906</b>               | <b>\$558,980</b> | <b>\$ 3,828,182</b>                | <b>\$ 40,015,081</b>                             |

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | Special Revenue                      |                    |                                |                 |                      | Grants      |
|--|--------------------------------------|--------------------|--------------------------------|-----------------|----------------------|-------------|
|  | MPAC/Cultural<br>Arts/Main<br>Street | Law<br>Enforcement | Fire<br>Donations<br>/Security | Library<br>Gift | Community<br>Housing |             |
| <b>REVENUES</b>                                      |                                      |                    |                                |                 |                      |             |
| Intergovernmental                                    | \$ -                                 | \$ -               | \$ -                           | \$ -            | \$ 484,100           | \$1,358,699 |
| Charges for services                                 | -                                    | -                  | -                              | -               | -                    | -           |
| Fines and forfeitures                                | -                                    | 61,066             | -                              | -               | -                    | -           |
| Investment income                                    | -                                    | 1,690              | 407                            | 4,135           | 621                  | -           |
| Contributions  | -                                    | 11,067             | 8,500                          | 64,959          | -                    | 146,652     |
| Miscellaneous  | -                                    | -                  | -                              | 11,437          | -                    | 5,075       |
| <b>Total revenues</b>                                | -                                    | 73,823             | 8,907                          | 80,531          | 484,721              | 1,510,426   |
| <b>EXPENDITURES</b>                                  |                                      |                    |                                |                 |                      |             |
| Current:   |                                      |                    |                                |                 |                      |             |
| General government                                   | -                                    | -                  | -                              | -               | -                    | 476,035     |
| Police   | -                                    | 68,114             | -                              | -               | -                    | 227,586     |
| Fire   | -                                    | -                  | 6,941                          | -               | -                    | 28,456      |
| Libraries  | -                                    | -                  | -                              | 12,121          | -                    | 18,864      |
| Development  | -                                    | -                  | -                              | -               | 564,252              | 123,326     |
| Parks and recreation                                 | -                                    | -                  | -                              | -               | -                    | -           |
| Capital Expenditures:                                |                                      |                    |                                |                 |                      |             |
| General government                                   | -                                    | -                  | -                              | -               | -                    | 529,889     |
| Police   | -                                    | -                  | -                              | -               | -                    | 96,427      |
| Fire   | -                                    | -                  | -                              | -               | -                    | 85,582      |
| Libraries  | -                                    | -                  | -                              | -               | -                    | 5,995       |
| Parks and recreation                                 | -                                    | -                  | -                              | -               | -                    | -           |
| Public works   | -                                    | -                  | -                              | -               | -                    | -           |
| <b>Total expenditures</b>                            | -                                    | 68,114             | 6,941                          | 12,121          | 564,252              | 1,592,160   |
| Excess (deficiency) of revenues<br>over expenditures | -                                    | 5,709              | 1,966                          | 68,410          | (79,531)             | (81,734)    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                      |                    |                                |                 |                      |             |
| Transfers in   | -                                    | 15,000             | -                              | -               | 123,000              | 174,586     |
| Transfers out  | -                                    | -                  | -                              | -               | (600)                | -           |
| <b>Total other financing sources (uses):</b>         | -                                    | 15,000             | -                              | -               | 122,400              | 174,586     |
| Net change in fund balances                          | -                                    | 20,709             | 1,966                          | 68,410          | 42,869               | 92,852      |
| Fund balances, beginning of year, as restated        | 165,816                              | 144,178            | 24,892                         | 322,445         | 22,136               | 57,440      |
| Change in accounting principle                       | (165,816)                            | -                  | -                              | -               | -                    | -           |
| Fund balances, end of year                           |                                      | \$ 164,887         | \$ 26,858                      | \$390,855       | \$ 65,005            | \$ 150,292  |

| Capital Projects                             |                      |                      |                           |           |                            |   |
|--|----------------------|----------------------|---------------------------|-----------|----------------------------|---|
| Equipment /<br>Infrastructure<br>Replacement | Fire<br>Improvements | Park<br>Construction | Facilities<br>Improvement | Library   | Stormwater<br>Construction | Total Nonmajor<br>Governmental<br>Funds |
| \$ -   | \$ -                 | \$ -                 | \$ -                      | \$ -      | \$ 957,746                 | \$ 2,800,545                            |
| 4,767  | -                    | -                    | -                         | -         | -                          | 4,767                                   |
| -  | -                    | -                    | -                         | -         | -                          | 61,066                                  |
| 11,451                                       | 4,633                | 129,848              | 41,930                    | 4,376     | 25,770                     | 224,861                                 |
| -  | -                    | 2,293,451            | -                         | -         | 36,914                     | 2,561,543                               |
| -  | -                    | -                    | -                         | -         | -                          | 16,512                                  |
| 16,218                                       | 4,633                | 2,423,299            | 41,930                    | 4,376     | 1,020,430                  | 5,669,294                               |
| 244,842                                      | -                    | -                    | 142,235                   | -         | -                          | 863,112                                 |
| -  | -                    | -                    | -                         | -         | -                          | 295,700                                 |
| -  | -                    | -                    | -                         | -         | -                          | 35,397                                  |
| -  | -                    | -                    | -                         | -         | -                          | 30,985                                  |
| -  | -                    | -                    | -                         | -         | -                          | 687,578                                 |
| -  | -                    | 188,232              | -                         | -         | -                          | 188,232                                 |
| 47,103                                       | -                    | -                    | 6,473,094                 | -         | -                          | 7,050,086                               |
| -  | -                    | -                    | 2,340                     | -         | -                          | 98,767                                  |
| -  | 938                  | -                    | -                         | -         | -                          | 86,520                                  |
| -  | -                    | -                    | -                         | -         | -                          | 5,995                                   |
| -  | -                    | 5,324,281            | -                         | -         | -                          | 5,324,281                               |
| -  | -                    | -                    | -                         | -         | 1,583,436                  | 1,583,436                               |
| 291,945                                      | 938                  | 5,512,513            | 6,617,669                 | -         | 1,583,436                  | 16,250,089                              |
| (275,727)                                    | 3,695                | (3,089,214)          | (6,575,739)               | 4,376     | (563,006)                  | (10,580,795)                            |
| 482,372                                      | -                    | -                    | -                         | -         | -                          | 794,958                                 |
| -  | -                    | -                    | -                         | -         | -                          | (600)                                   |
| 482,372                                      | -                    | -                    | -                         | -         | -                          | 794,358                                 |
| 206,645                                      | 3,695                | (3,089,214)          | (6,575,739)               | 4,376     | (563,006)                  | (9,786,437)                             |
| 1,522,557                                    | 355,401              | 25,690,071           | 14,497,097                | 554,604   | 4,334,533                  | 47,691,170                              |
| -  | -                    | -                    | -                         | -         | -                          | (165,816)                               |
| \$ 1,729,202                                 | \$ 359,096           | \$22,600,857         | \$ 7,921,358              | \$558,980 | \$ 3,771,527               | \$ 37,738,917                           |

## **NON-MAJOR ENTERPRISE FUNDS**

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

**SURFACE WATER DRAINAGE UTILITY FUND** - to account for revenue paid by property owners under the Surface Drainage Utility System Ordinance.

**SOLID WASTE FUND** - to account for the operations of the Solid Waste Management System.

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**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2011**

|   | <b>Business-type Activities - Enterprise Funds</b> |                     |                      |                                       |
|---|--|---------------------|----------------------|---------------------------------------|
|   | <b>Surface Water</b>                               |                     |                      | <b>Total</b>                          |
|   | <b>Golf Course</b>                                 | <b>Drainage</b>     | <b>Solid Waste</b>   | <b>Non-major<br/>Enterprise Funds</b> |
| <b>ASSETS</b>   |  |                     |                      |                                       |
| Current assets:   |  |                     |                      |                                       |
| Cash and cash equivalents                                       | \$ 260,110   | \$ 1,595,940        | \$ 4,736,604         | \$ 6,592,654                          |
| Restricted assets:  |  |                     |                      |                                       |
| Cash and cash equivalents                                       | 10,000   | -                   | -                    | 10,000                                |
| Accounts receivable (net of allowance for uncollectibles)       | 50,241   | 185,904             | 1,939,485            | 2,175,630                             |
| Notes receivable- interfund                                     | -  | -                   | 1,016,268            | 1,016,268                             |
| Notes receivable- component unit                                | -  | -                   | 5,177,500            | 5,177,500                             |
| Inventory   | -  | -                   | 1,526                | 1,526                                 |
| <b>Total currents assets</b>                                    | <b>320,351</b>                                     | <b>1,781,844</b>    | <b>12,871,383</b>    | <b>14,973,578</b>                     |
| 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  | -                   | 635,972              | 3,158,498                             |
| Machinery and equipment   | 442,525  | 14,730              | 405,127              | 862,382                               |
| Less accumulated depreciation                                   | (2,062,543)  | (4,908)             | (808,271)            | (2,875,722)                           |
| <b>Total capital assets (net of accumulated depreciation)</b>   | <b>2,803,883</b>                                   | <b>9,822</b>        | <b>561,526</b>       | <b>3,375,231</b>                      |
| <b>TOTAL ASSETS</b>   | <b>3,124,234</b>                                   | <b>1,791,666</b>    | <b>13,432,909</b>    | <b>18,348,809</b>                     |
| <b>LIABILITIES</b>  |  |                     |                      |                                       |
| Current liabilities:  |  |                     |                      |                                       |
| Accounts payable  | 7,004  | 7,109               | 11,277               | 25,390                                |
| Other accrued liabilities                                       | -  | 15,562              | 518,485              | 534,047                               |
| Due to other funds  | 100,000  | -                   | 38,337               | 138,337                               |
| Notes payable   | 45,516   | -                   | -                    | 45,516                                |
| Compensated Absences  | -  | 7,433               | 9,619                | 17,052                                |
| <b>Total current liabilities</b>                                | <b>152,520</b>                                     | <b>30,104</b>       | <b>577,718</b>       | <b>760,342</b>                        |
| Payable from restricted assets:                                 |  |                     |                      |                                       |
| Deposits  | 10,000   | -                   | -                    | 10,000                                |
| <b>Total current liabilities payable from restricted assets</b> | <b>10,000</b>                                      | <b>-</b>            | <b>-</b>             | <b>10,000</b>                         |
| Non-current liabilities:  |  |                     |                      |                                       |
| Compensated absences  | -  | 27,413              | 35,476               | 62,889                                |
| Notes payable   | 970,752  | -                   | -                    | 970,752                               |
| <b>Total non-current liabilities</b>                            | <b>970,752</b>                                     | <b>27,413</b>       | <b>35,476</b>        | <b>1,033,641</b>                      |
| <b>TOTAL LIABILITIES</b>  | <b>1,133,272</b>                                   | <b>57,517</b>       | <b>613,194</b>       | <b>1,803,983</b>                      |
| <b>NET ASSETS</b>   |  |                     |                      |                                       |
| Invested in capital assets, net of related debt                 | 2,803,883  | 9,822               | 561,526              | 3,375,231                             |
| Unrestricted  | (812,921)  | 1,724,327           | 12,258,189           | 13,169,595                            |
| <b>Total net assets</b>   | <b>\$ 1,990,962</b>                                | <b>\$ 1,734,149</b> | <b>\$ 12,819,715</b> | <b>\$ 16,544,826</b>                  |

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
FUND NET ASSETS- NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|   | Business-type Activities - Enterprise Funds |                           |                      | Total Non-major<br>Enterprise<br>Funds |
|---|---|---------------------------|----------------------|--|
|   | Golf Course                                 | Surface Water<br>Drainage | Solid Waste          |  |
| <b>OPERATING REVENUES</b>                       |   |                           |                      |  |
| Charges for services                            | \$ 37,767                                   | \$ 1,795,342              | \$ 6,744,806         | \$ 8,577,915                           |
| Miscellaneous                                   | 72,490                                      | -                         | 91,680               | 164,170                                |
| <b>Total operating revenues</b>                 | <b>110,257</b>                              | <b>1,795,342</b>          | <b>6,836,486</b>     | <b>8,742,085</b>                       |
| <b>OPERATING EXPENSES</b>                       |   |                           |                      |  |
| Personnel services                              | -   | 752,390                   | 691,291              | 1,443,681                              |
| Materials and supplies                          | -   | 51,021                    | 38,446               | 89,467                                 |
| Maintenance                                     | -   | 262,980                   | 20,783               | 283,763                                |
| Contract payments                               | 1,000                                       | 475,491                   | 5,125,498            | 5,601,989                              |
| Utilities                                       | -   | 3,903                     | 9,586                | 13,489                                 |
| Depreciation                                    | 204,607                                     | 1,842                     | 62,695               | 269,144                                |
| Other   | 18,568                                      | 86,171                    | 118,088              | 222,827                                |
| <b>Total operating expenses</b>                 | <b>224,175</b>                              | <b>1,633,798</b>          | <b>6,066,387</b>     | <b>7,924,360</b>                       |
| Operating income (loss)                         | (113,918)                                   | 161,544                   | 770,099              | 817,725                                |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>        |   |                           |                      |  |
| Investment income                               | -   | 5,461                     | 287,723              | 293,184                                |
| <b>Total non-operating revenues</b>             | <b>-</b>                                    | <b>5,461</b>              | <b>287,723</b>       | <b>293,184</b>                         |
| Income(loss) before contributions and transfers | (113,918)                                   | 167,005                   | 1,057,822            | 1,110,909                              |
| Transfers out                                   | (5,000)                                     | (65,081)                  | (389,078)            | (459,159)                              |
| Change in net assets                            | (118,918)                                   | 101,924                   | 668,744              | 651,750                                |
| <b>Total net assets - beginning</b>             | <b>2,109,880</b>                            | <b>1,632,225</b>          | <b>12,150,971</b>    | <b>15,893,076</b>                      |
| <b>Total net assets - ending</b>                | <b>\$ 1,990,962</b>                         | <b>\$ 1,734,149</b>       | <b>\$ 12,819,715</b> | <b>\$ 16,544,826</b>                   |

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | Business-type Activities - Enterprise Funds |                           |                   | Total<br>Non-Major<br>Enterprise Funds |
|--|---|---------------------------|-------------------|--|
|  | Golf Course                                 | Surface Water<br>Drainage | Solid Waste       |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |   |                           |                   |  |
| Cash received from customers   | \$ 6,159                                    | \$ 1,813,561              | \$ 6,658,069      | \$ 8,477,789                           |
| Other operating revenues   | 72,490                                      | -                         | 91,680            | 164,170                                |
| Cash payments for employee services  | -   | (773,884)                 | (711,984)         | (1,485,868)                            |
| Cash payments to suppliers for goods and services  | (69,504)                                    | (905,595)                 | (5,409,272)       | (6,384,371)                            |
| <b>Net cash provided by operating activities</b>   | <b>9,145</b>                                | <b>134,082</b>            | <b>628,493</b>    | <b>771,720</b>                         |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                                       |   |                           |                   |  |
| Advances to other funds  | -   | -                         | (216,268)         | (216,268)                              |
| Transfers out  | (5,000)                                     | (65,081)                  | (389,078)         | (459,159)                              |
| <b>Net cash used in non-capital financing activities</b>                                       | <b>(5,000)</b>                              | <b>(65,081)</b>           | <b>(605,346)</b>  | <b>(675,427)</b>                       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                               |   |                           |                   |  |
| Loan proceeds  | 216,268                                     | -                         | -                 | 216,268                                |
| <b>Net cash provided by capital and related financing activities</b>                           | <b>216,268</b>                              | <b>-</b>                  | <b>-</b>          | <b>216,268</b>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |   |                           |                   |  |
| Purchase of investment securities  | -   | -                         | (2,560,000)       | (2,560,000)                            |
| Proceeds from sale and maturities of investment securities                                     | -   | -                         | 2,560,000         | 2,560,000                              |
| Investment earnings  | -   | 5,461                     | 287,723           | 293,184                                |
| <b>Net cash provided by investing activities</b>   | <b>-</b>                                    | <b>5,461</b>              | <b>287,723</b>    | <b>293,184</b>                         |
| <b>Net increase in cash</b>  | <b>220,413</b>                              | <b>74,462</b>             | <b>310,870</b>    | <b>605,745</b>                         |
| Cash and cash equivalents at beginning of year   | 49,697                                      | 1,521,478                 | 4,425,734         | 5,996,909                              |
| Cash and cash equivalents at end of year   | \$ 270,110                                  | \$ 1,595,940              | \$ 4,736,604      | \$ 6,602,654                           |
| <b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>                             |   |                           |                   |  |
| Unrestricted cash and cash equivalents   | \$ 260,110                                  | \$ 1,595,940              | \$ 4,736,604      | \$ 6,592,654                           |
| Restricted cash and cash equivalents   | 10,000                                      | -                         | -                 | 10,000                                 |
|  | \$ 270,110                                  | \$ 1,595,940              | \$ 4,736,604      | \$ 6,602,654                           |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b> |   |                           |                   |  |
| Operating income (loss)  | \$ (113,918)                                | \$ 161,544                | \$ 770,099        | \$ 817,725                             |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |   |                           |                   |  |
| Depreciation   | 204,607                                     | 1,842                     | 62,695            | 269,144                                |
| Provision for uncollectible  | -   | 22,918                    | 136,034           | 158,952                                |
| Change in assets and liabilities:  |   |                           |                   |  |
| (Increase) decrease in assets:   |   |                           |                   |  |
| Accounts receivable  | (31,608)                                    | (4,699)                   | (222,771)         | (259,078)                              |
| Inventory  | -   | -                         | 1,932             | 1,932                                  |
| Prepaid expenses   | -   | -                         | 960               | 960                                    |
| Increase (decrease) in liabilities:  |   |                           |                   |  |
| Accounts payable   | 64  | (26,029)                  | (62,316)          | (88,281)                               |
| Accrued liabilities  | -   | (28,246)                  | (66,028)          | (94,274)                               |
| Due to other funds   | (50,000)                                    | -                         | 782               | (49,218)                               |
| Liability for accrued vacation   | -   | 6,752                     | 7,106             | 13,858                                 |
| <b>Total adjustments</b>   | <b>123,063</b>                              | <b>(27,462)</b>           | <b>(141,606)</b>  | <b>(46,005)</b>                        |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>\$ 9,145</b>                             | <b>\$ 134,082</b>         | <b>\$ 628,493</b> | <b>\$ 771,720</b>                      |





# **FIDUCIARY FUNDS**

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
YEAR ENDED SEPTEMBER 30, 2011**

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| BB Owen Park              | <u>Balance<br/>September<br/>2010</u> | <u>ADDITIONS</u> | <u>DEDUCTIONS</u> | <u>Balance<br/>September<br/>2011</u> |
|---------------------------|---------------------------------------|------------------|-------------------|---------------------------------------|
| <b>ASSETS:</b>            |                                       |                  |                   |                                       |
| Cash and cash equivalents | \$ 10,904,085                         | \$ 20,047        | \$ -              | \$ 10,924,132                         |
| <b>Total Assets</b>       | <u>\$ 10,904,085</u>                  | <u>\$ 20,047</u> | <u>\$ -</u>       | <u>\$ 10,924,132</u>                  |
| <br><b>LIABILITIES:</b>   |                                       |                  |                   |                                       |
| Other accrued liabilities | \$ 10,904,085                         | \$ 20,047        | \$ -              | \$ 10,924,132                         |
| <b>Total Liabilities</b>  | <u>\$ 10,904,085</u>                  | <u>\$ 20,047</u> | <u>\$ -</u>       | <u>\$ 10,924,132</u>                  |

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## 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 local hotel/motel tax. This fund's purpose is to promote tourism and make the City of McKinney the destination of choice.

**MCKINNEY AIRPORT DEVELOPMENT CORPORATION** – The purpose of the MADC is to provide an economic engine for the entire region facilitating general and business aviation and related services.

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**CITY OF MCKINNEY, TEXAS  
 COMBINING BALANCE SHEET-MCKINNEY ECONOMIC DEVELOPMENT CORPORATION  
 SEPTEMBER 30, 2011**

|  | <b>MEDC<br/>Operating<br/>Fund</b> | <b>Debt Service<br/>Fund</b> | <b>Debt<br/>Reserve<br/>Fund</b> | <b>Total</b>        |
|--|------------------------------------|------------------------------|----------------------------------|---------------------|
| <b>ASSETS</b>                              |                                    |                              |                                  |                     |
| Cash and cash equivalents                  | \$ 5,914,675                       | \$ -                         | \$ -                             | \$ 5,914,675        |
| Restricted cash and cash equivalents       | -                                  | 409,037                      | 1,581,348                        | 1,990,385           |
| Investments                                | 1,000,000                          | -                            | -                                | 1,000,000           |
| Accounts receivable                        | 1,463,115                          | -                            | -                                | 1,463,115           |
| Prepaid items                              | 18,495                             | -                            | -                                | 18,495              |
| <b>Total assets</b>                        | <b>\$ 8,396,285</b>                | <b>\$ 409,037</b>            | <b>\$ 1,581,348</b>              | <b>\$10,386,670</b> |
| <b>LIABILITIES</b>                         |                                    |                              |                                  |                     |
| Accounts payable                           | \$ 1,077,841                       | \$ -                         | \$ -                             | \$ 1,077,841        |
| Other accrued liabilities                  | 119                                | -                            | -                                | 119                 |
| <b>Total liabilities</b>                   | <b>1,077,960</b>                   | <b>-</b>                     | <b>-</b>                         | <b>1,077,960</b>    |
| <b>FUND BALANCES</b>                       |                                    |                              |                                  |                     |
| NonSpendable                               |                                    |                              |                                  |                     |
| Prepaid items                              | 18,495                             | -                            | -                                | 18,495              |
| Restricted                                 |                                    |                              |                                  |                     |
| Debt service                               | -                                  | 409,037                      | -                                | 409,037             |
| Debt service reserve balance               | -                                  | -                            | 1,581,348                        | 1,581,348           |
| Unassigned                                 | 7,299,830                          | -                            | -                                | 7,299,830           |
| <b>Total fund balances</b>                 | <b>7,318,325</b>                   | <b>409,037</b>               | <b>1,581,348</b>                 | <b>9,308,710</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 8,396,285</b>                | <b>\$ 409,037</b>            | <b>\$ 1,581,348</b>              | <b>\$10,386,670</b> |

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS- MCKINNEY ECONOMIC  
DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2011**

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|   |                            |
|---|----------------------------|
| Total fund balance-governmental funds.  | \$ 9,308,710               |
| 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.                                     | 154,922                    |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.                                      | 23,640,488                 |
| Accumulated depreciation has not been included in the governmental fund financial statements.   | (204,473)                  |
| Accrued liabilities for compensated absences have not been reflected in the fund financial statements.  | (24,837)                   |
| Bonds payable, contractual obligations and notes payable have not been included in the governmental fund financial statements.  | (24,555,000)               |
| 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. | (85,559)                   |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <u><u>\$ 8,234,251</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, 2011**

|  | <b>MEDC<br/>Operating<br/>Fund</b> | <b>Debt Service<br/>Fund</b> | <b>Debt<br/>Reserve<br/>Fund</b> | <b>Elimination</b> | <b>Total</b>        |
|--|------------------------------------|------------------------------|----------------------------------|--------------------|---------------------|
| <b>REVENUES</b>  |                                    |                              |                                  |                    |                     |
| Sales and use taxes  | \$ 8,101,418                       | \$ -                         | \$ -                             | \$ -               | \$ 8,101,418        |
| Investment income  | 14,377                             | 22,563                       | 1,468                            | -                  | 38,408              |
| Contributions  | 537,723                            | -                            | -                                | -                  | 537,723             |
| <b>Total revenues</b>  | <b>8,653,518</b>                   | <b>22,563</b>                | <b>1,468</b>                     | <b>-</b>           | <b>8,677,549</b>    |
| <b>EXPENDITURES</b>  |                                    |                              |                                  |                    |                     |
| Economic development   | 5,745,628                          | -                            | -                                | -                  | 5,745,628           |
| Interest and fiscal charges  | -                                  | 782,354                      | -                                | -                  | 782,354             |
| Principal payments   | 8,454,246                          | 1,185,000                    | -                                | -                  | 9,639,246           |
| <b>Total expenditures</b>  | <b>14,199,874</b>                  | <b>1,967,354</b>             | <b>-</b>                         | <b>-</b>           | <b>16,167,228</b>   |
| Excess (deficiency) of revenues<br>over expenditures                   | (5,546,356)                        | (1,944,791)                  | 1,468                            | -                  | (7,489,679)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                                  |                                    |                              |                                  |                    |                     |
| Loan proceeds  | 14,880,120                         | -                            | 1,579,880                        | -                  | 16,460,000          |
| Transfers in   | -                                  | 1,607,819                    | -                                | (1,607,819)        | -                   |
| Transfers out  | (1,607,819)                        | -                            | -                                | 1,607,819          | -                   |
| <b>Total other financing sources (uses):</b>                           | <b>13,272,301</b>                  | <b>1,607,819</b>             | <b>1,579,880</b>                 | <b>-</b>           | <b>16,460,000</b>   |
| Excess (deficiency) of revenues<br>and other sources over expenditures | 7,725,945                          | (336,972)                    | 1,581,348                        | -                  | 8,970,321           |
| Fund balances, beginning of year                                       | (407,620)                          | 746,009                      | -                                | -                  | 338,389             |
| Fund balances, end of year   | <u>\$ 7,318,325</u>                | <u>\$ 409,037</u>            | <u>\$ 1,581,348</u>              | <u>\$ -</u>        | <u>\$ 9,308,710</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, 2011**

---

|   |                            |
|---|----------------------------|
| Net change in fund balances- total governmental funds.  | \$ 8,970,321               |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.                                   | (19,479)                   |
| 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. | 9,639,246                  |
| Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements.   | (16,460,000)               |
| 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.   | (50,907)                   |
| Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements.   | 154,922                    |
| 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 assets.   | <u>29,348</u>              |
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <u><u>\$ 2,263,451</u></u> |



**CITY OF MCKINNEY, TEXAS  
 BALANCE SHEET- MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
 SEPTEMBER 30, 2011**

---

|  | <b>McKinney<br/>Community<br/>Development<br/>Corporation</b> |
|--|---|
| <b>ASSETS</b>                              |   |
| Cash and cash equivalents                  | \$ 18,504,133   |
| Investments                                | 4,068,600   |
| Accounts receivable                        | 1,486,965   |
| Prepaid items                              | 11,474  |
| <b>Total assets</b>                        | <b>\$ 24,071,172</b>  |
| <b>LIABILITIES</b>                         |   |
| Accounts payable                           | \$ 1,017,872  |
| Other accrued liabilities                  | 3,779   |
| <b>Total liabilities</b>                   | <b>1,021,651</b>  |
| <b>FUND BALANCES</b>                       |   |
| NonSpendable                               |   |
| Prepaid items                              | 11,474  |
| Unrestricted                               | 23,038,047  |
| <b>Total fund balances</b>                 | <b>23,049,521</b>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 24,071,172</b>  |

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**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET  
ASSETS - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2011**

---

|  |                                    |
|--|------------------------------------|
| Total fund balance-governmental funds.   | \$ 23,049,521                      |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements. | 532,529                            |
| Accrued liabilities for compensated absences have not been reflected in the fund financial statements.   | <u>(9,774)</u>                     |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>   | <b><u><u>\$ 23,572,276</u></u></b> |

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**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

---

|  | <b>McKinney<br/>Community<br/>Development<br/>Corporation</b> |
|--|---|
| <b>REVENUES</b>                          |   |
| Sales and use taxes                      | \$ 8,101,418  |
| Investment income                        | 165,303   |
| Contributions                            | 831,789   |
| <b>Total revenues</b>                    | <u>9,098,510</u>  |
| <b>EXPENDITURES</b>                      |   |
| Community development                    | <u>9,674,884</u>  |
| <b>Total expenditures</b>                | <u>9,674,884</u>  |
| Deficiency of revenues over expenditures | <u>(576,374)</u>  |
| Fund balances, beginning of year         | <u>23,625,895</u>   |
| Fund balances, end of year               | <u>\$ 23,049,521</u>  |

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**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, 2011**

---

Net change in fund balances- total governmental funds. \$ (576,374)

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 assets. (7,778)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (584,152)

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**CITY OF MCKINNEY, TEXAS  
 BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

---

|  | <b>McKinney<br/>Convention &amp;<br/>Visitors Bureau</b> |
|--|--|
| <b>ASSETS</b>                              |  |
| Cash and cash equivalents                  | \$ 431,065   |
| Accounts receivable                        | 56,326   |
| Prepaid items                              | 8,128  |
| <b>Total assets</b>                        | <b>\$ 495,519</b>  |
| <b>LIABILITIES</b>                         |  |
| Accounts payable                           | \$ 4,421   |
| Other accrued liabilities                  | 4,926  |
| <b>Total liabilities</b>                   | <b>9,347</b>   |
| <b>FUND BALANCES</b>                       |  |
| NonSpendable                               |  |
| Prepaid items                              | 8,128  |
| Unrestricted                               | 478,044  |
| <b>Total fund balances</b>                 | <b>486,172</b>   |
| <b>Total liabilities and fund balances</b> | <b>\$ 495,519</b>  |

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**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS – MCKINNEY CONVENTION AND VISITORS BUREAU  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

---

|  |           |                |
|--|-----------|----------------|
| Total fund balance-governmental funds.   | \$        | 486,172        |
| Accrued liabilities for compensated absences have not been reflected in the fund financial statements. |           | (13,060)       |
|  |           | <hr/>          |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>   | <b>\$</b> | <b>473,112</b> |
|  |           | <hr/> <hr/>    |

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**CITY OF MCKINNEY, TEXAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
 MCKINNEY CONVENTION AND VISITORS BUREAU  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|                                      | <b>McKinney<br/>Convention &amp;<br/>Visitors Bureau</b> |
|--------------------------------------|--|
| <b>REVENUES</b>                      |  |
| Sales and use taxes                  | \$ 565,947   |
| Investment income                    | 3,782  |
| Miscellaneous                        | 9,719  |
| <b>Total revenues</b>                | <u>579,448</u>   |
| <b>EXPENDITURES</b>                  |  |
| Community development                | <u>546,078</u>   |
| <b>Total expenditures</b>            | <u>546,078</u>   |
| Excess of revenues over expenditures | 33,370   |
| Fund balances, beginning of year     | <u>452,802</u>   |
| Fund balances, end of year           | <u>\$ 486,172</u>  |

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**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, 2011**

---

|   |                         |
|---|-------------------------|
| Net change in fund balances- total governmental funds.  | \$ 33,370               |
| Reductions of vacation and sick liabilities are not shown in the fund financial statements.<br>The net effect of the current year increase is to decrease net assets. | (5,511)                 |
|   | <hr/>                   |
| <b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>  | <b><u>\$ 27,859</u></b> |

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**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS- MCKINNEY AIRPORT DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2011**

|   | <u>McKinney Airport</u> |
|---|-------------------------|
| <b>ASSETS</b>   |                         |
| Current assets:   |                         |
| Cash and cash equivalents   | \$ 626,158              |
| Restricted assets:  |                         |
| Cash and cash equivalents   | 1,729,362               |
| Receivables (net of allowance for uncollectibles)                 | 19,541                  |
| Due from other governments  | 47,766                  |
| <b>Total current assets</b>                                       | <u>2,422,827</u>        |
| Capital assets:   |                         |
| Land  | 13,851,019              |
| Buildings   | 1,906,593               |
| Improvements other than buildings                                 | 26,554,732              |
| Machinery and equipment   | 480,302                 |
| Construction in progress  | 26,359,481              |
| Less accumulated depreciation                                     | (10,736,687)            |
| <b>Total capital assets (net of accumulated depreciation)</b>     | <u>58,415,440</u>       |
| <b>Total non-current assets</b>                                   | <u>58,415,440</u>       |
| <b>TOTAL ASSETS</b>   | <u>\$ 60,838,267</u>    |
| <b>LIABILITIES</b>  |                         |
| Current liabilities:  |                         |
| Accounts payable  | \$ 28,325               |
| Other accrued liabilities   | 13,407                  |
| Compensated absences  | 7,231                   |
| <b>Total current liabilities unrestricted</b>                     | <u>48,963</u>           |
| Liabilities (payable from restricted assets):                     |                         |
| Deposits  | 17,714                  |
| <b>Total current liabilities (payable from restricted assets)</b> | <u>17,714</u>           |
| <b>Total current liabilities</b>                                  | <u>66,677</u>           |
| Non-current liabilities:  |                         |
| Compensated absences  | 26,670                  |
| <b>Total non-current liabilities</b>                              | <u>26,670</u>           |
| <b>TOTAL LIABILITIES</b>  | <u>93,347</u>           |
| <b>NET ASSETS</b>   |                         |
| Invested in capital assets  | 58,415,440              |
| Unrestricted  | 2,329,480               |
| <b>TOTAL NET ASSETS</b>   | <u>\$ 60,744,920</u>    |

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - MCKINNEY  
AIRPORT DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>McKinney Airport</u> |
|--|-------------------------|
| <b>OPERATING REVENUES</b>                |                         |
| Charges for services                     | \$ 514,344              |
| Intergovernmental                        | 47,766                  |
| Miscellaneous                            | 19,589                  |
| <b>Total operating revenues</b>          | <u>581,699</u>          |
| <b>OPERATING EXPENSES</b>                |                         |
| Personnel services                       | 405,652                 |
| Materials and supplies                   | 29,672                  |
| Maintenance                              | 56,870                  |
| Contract payments                        | 289,639                 |
| Utilities                                | 55,088                  |
| Depreciation                             | 814,108                 |
| Other                                    | 132,518                 |
| <b>Total operating expenses</b>          | <u>1,783,547</u>        |
| Operating loss                           | <u>(1,201,848)</u>      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                         |
| Intergovernmental                        | 7,829,253               |
| Investment income                        | 31,790                  |
| <b>Total non-operating revenues</b>      | <u>7,861,043</u>        |
| Income before contributions              | <u>6,659,195</u>        |
| Contributions                            | <u>3,565,000</u>        |
| Change in net assets                     | 10,224,195              |
| <b>Total net assets-beginning</b>        | <u>50,520,725</u>       |
| <b>Total net assets-ending</b>           | <u>\$ 60,744,920</u>    |

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CASH FLOWS- MCKINNEY AIRPORT DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

|  | <u>McKinney Airport</u> |
|--|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                         |
| Cash received from customers   | \$ 498,998              |
| Other operating revenues   | 67,355                  |
| Cash payments to employees for services  | (427,204)               |
| Cash payments to suppliers for goods and services                                    | (587,286)               |
| <b>Net cash used in operating activities</b>   | <u>(448,137)</u>        |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>                  |                         |
| Acquisition and construction of capital assets                                       | (13,054,800)            |
| Capital grants   | 7,829,253               |
| Contributions  | 3,565,000               |
| <b>Cash used in capital<br/>        and related financing activities</b>             | <u>(1,660,547)</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                         |
| Investment earnings  | 31,790                  |
| <b>Cash provided by investing activities</b>   | <u>31,790</u>           |
| Net decrease in cash   | (2,076,894)             |
| Cash and cash equivalents at beginning of year                                       | 4,432,414               |
| Cash and cash equivalents at end of year   | <u>\$ 2,355,520</u>     |
| <b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>                   |                         |
| Unrestricted cash and cash equivalents   | \$ 626,158              |
| Restricted cash and cash equivalents   | 1,729,362               |
|  | <u>\$ 2,355,520</u>     |
| <b>RECONCILIATION OF OPERATING LOSS TO NET<br/>CASH USED IN OPERATING ACTIVITIES</b> |                         |
| Operating loss   | \$ (1,201,848)          |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities: |                         |
| Depreciation and amortization  | 814,108                 |
| Change in assets and liabilities:  |                         |
| (Increase) decrease in assets:   |                         |
| Accounts receivable  | (15,346)                |
| Increase (decrease) in liabilities:  |                         |
| Accounts payable   | (28,499)                |
| Accrued liabilities  | (11,309)                |
| Liability for accrued vacation   | (5,243)                 |
| Total adjustments  | 753,711                 |
| <b>Net cash used in operating activities</b>   | <u>\$ (448,137)</u>     |



# **STATISTICAL SECTION**



**MCKINNEY™**

**T E X A S**

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*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.*

| <b><u>Contents</u></b>   | <b><u>Table #s</u></b> |
|--|------------------------|
| <b>Financial Trends</b><br>These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.  | <b>1-4</b>             |
| <b>Revenue Capacity</b><br>These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.   | <b>5-8</b>             |
| <b>Debt Capacity</b><br>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. | <b>9-13</b>            |
| <b>Economic and Demographic Information</b><br>These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.         | <b>14-15</b>           |
| <b>Operating Information</b><br>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.     | <b>16-18</b>           |

**Source:** Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003: tables presenting government-wide information include information beginning in that year.

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

|   | Fiscal Year           |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | <u>2003</u>           | <u>2004</u>           | <u>2005</u>           |
| Governmental activities                             |                       |                       |                       |
| Invested in capital assets<br>(net of related debt) | \$ 178,913,077        | \$ 190,303,137        | \$ 237,354,450        |
| Restricted for:                                     |                       |                       |                       |
| Use of impact fees                                  | -                     | 5,275,989             | 6,931,347             |
| Highways and streets                                | -                     | -                     | -                     |
| Debt service  | 1,113,696             | 1,473,936             | 385,799               |
| Grants  | -                     | 242,563               | 117,354               |
| Unrestricted  | 26,272,630            | 50,881,072            | 33,120,488            |
| <b>Total governmental activities net assets</b>     | <b>\$ 206,299,403</b> | <b>\$ 248,176,697</b> | <b>\$ 277,909,438</b> |
| Business-type activities                            |                       |                       |                       |
| Invested in capital assets<br>(net of related debt) | \$ 103,016,383        | \$ 122,314,816        | \$ 143,430,759        |
| Restricted for:                                     |                       |                       |                       |
| Use of impact fees                                  | 3,956,901             | 5,420,092             | 2,336,291             |
| Debt service  | 1,747,113             | 2,060,200             | 2,391,615             |
| Unrestricted  | 32,655,654            | 30,660,151            | 34,690,519            |
| <b>Total business-type activities net assets</b>    | <b>\$ 141,376,051</b> | <b>\$ 160,455,259</b> | <b>\$ 182,849,184</b> |
| Primary government                                  |                       |                       |                       |
| Invested in capital assets<br>(net of related debt) | \$ 281,929,460        | \$ 312,617,953        | \$ 380,785,209        |
| Restricted for:                                     |                       |                       |                       |
| Use of impact fees                                  | 3,956,901             | 10,696,081            | 9,267,638             |
| Highways and streets                                | -                     | -                     | -                     |
| Debt service  | 2,860,809             | 3,534,136             | 2,777,414             |
| Grants  | -                     | 242,563               | 117,354               |
| Unrestricted  | 58,928,284            | 81,541,223            | 67,811,007            |
| <b>Total primary governmental net assets</b>        | <b>\$ 347,675,454</b> | <b>\$ 408,631,956</b> | <b>\$ 460,758,622</b> |

**Source:** Comprehensive Annual Financial Report

**Note 1:** Accrual-basis financial information for the city as a whole is only available back to fiscal year 2003, the year GASB Statement 34 was implemented.

**Note 2:** Beginning in 2011, net assets reflect the omission of MCVB, which is now reported as a discretely presented component unit.



TABLE 1

|    |                    | Fiscal Year        |                    |                    |                    |                    |  |
|----|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--|
|    | <u>2006</u>        | <u>2007</u>        | <u>2008</u>        | <u>2009</u>        | <u>2010</u>        | <u>2011</u>        |  |
| \$ | 267,326,939        | \$ 297,203,029     | \$ 239,601,800     | \$ 285,415,013     | \$ 290,201,450     | \$ 284,785,050     |  |
|    | 6,682,804          | 5,914,879          | 5,876,387          | 5,849,676          | 2,027,269          | 4,061,242          |  |
|    | -                  | -                  | 40,323,951         | 42,770,468         | 33,628,327         | 31,376,277         |  |
|    | 1,608,313          | 1,265,064          | 1,504,492          | 1,812,651          | 588,843            | 219,454            |  |
|    | -                  | -                  | -                  | 62,137             | 22,136             | 65,005             |  |
|    | <u>42,300,986</u>  | <u>44,022,473</u>  | <u>59,424,524</u>  | <u>59,789,506</u>  | <u>61,481,942</u>  | <u>64,368,362</u>  |  |
| \$ | <u>317,919,042</u> | <u>348,405,445</u> | <u>346,731,154</u> | <u>395,699,451</u> | <u>387,949,967</u> | <u>384,875,390</u> |  |
| \$ | 162,966,613        | \$ 176,356,253     | \$ 180,859,674     | \$ 171,936,373     | \$ 206,148,786     | \$ 208,847,556     |  |
|    | 3,853,405          | 1,646,162          | 1,760,033          | 2,083,128          | 2,537,464          | 2,704,125          |  |
|    | 1,146,486          | 3,248,974          | 3,707,091          | 4,151,257          | 4,625,915          | 4,980,679          |  |
|    | <u>42,372,380</u>  | <u>46,817,740</u>  | <u>55,657,877</u>  | <u>89,351,500</u>  | <u>63,541,978</u>  | <u>74,128,202</u>  |  |
| \$ | <u>210,338,884</u> | <u>228,069,129</u> | <u>241,984,675</u> | <u>267,522,258</u> | <u>276,854,143</u> | <u>290,660,562</u> |  |
| \$ | 430,293,552        | \$ 473,559,282     | \$ 420,461,474     | \$ 457,351,386     | \$ 496,350,236     | \$ 493,632,606     |  |
|    | 10,536,209         | 7,561,041          | 7,636,420          | 7,932,804          | 4,564,733          | 6,765,367          |  |
|    | -                  | -                  | 40,323,951         | 42,770,468         | 33,628,327         | 31,376,277         |  |
|    | 2,754,799          | 4,514,038          | 5,211,583          | 5,963,908          | 5,214,758          | 5,200,133          |  |
|    | -                  | -                  | -                  | 62,137             | 22,136             | 65,005             |  |
|    | <u>84,673,366</u>  | <u>90,840,213</u>  | <u>115,082,401</u> | <u>149,141,006</u> | <u>125,023,920</u> | <u>138,496,564</u> |  |
| \$ | <u>528,257,926</u> | <u>576,474,574</u> | <u>588,715,829</u> | <u>663,221,709</u> | <u>664,804,110</u> | <u>675,535,952</u> |  |

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

|  | Fiscal Year          |                       |                       |                       |
|--|----------------------|-----------------------|-----------------------|-----------------------|
|  | <u>2003</u>          | <u>2004</u>           | <u>2005</u>           | <u>2006</u>           |
| <b>Expenses</b>  |                      |                       |                       |                       |
| Governmental activities:                               |                      |                       |                       |                       |
| General government                                     | \$ 6,001,097         | \$ 4,502,994          | \$ 11,891,231         | \$ 14,655,266         |
| Police   | 11,274,531           | 8,453,628             | 11,666,150            | 13,966,596            |
| Fire   | 9,885,772            | 9,467,298             | 10,513,209            | 12,676,417            |
| Libraries  | 2,216,319            | 2,171,326             | 2,381,996             | 2,497,842             |
| Development  | 7,491,589            | 8,598,720             | 7,388,866             | 6,958,806             |
| Parks and recreation                                   | 5,167,818            | 5,039,524             | 5,896,142             | 7,206,606             |
| Public works   | 15,893,243           | 17,646,281            | 19,014,444            | 22,504,074            |
| Other  | 2,793,801            | 3,102,824             | -                     | -                     |
| Interest on long-term debt                             | 3,300,896            | 4,585,441             | 4,784,081             | 5,059,203             |
| Airport  | 653,178              | 1,440,169             | 1,150,965             | 3,218,089             |
| <b>Total governmental activities expenses</b>          | <u>64,678,244</u>    | <u>65,008,205</u>     | <u>74,687,084</u>     | <u>88,742,899</u>     |
| Business-type activities:                              |                      |                       |                       |                       |
| Water/Wastewater                                       | 20,053,463           | 23,695,455            | 26,933,863            | 29,812,732            |
| Solid Waste  | 2,569,876            | 3,251,727             | 3,928,218             | 3,939,969             |
| Golf Course  | 1,065,050            | 1,112,196             | 1,070,936             | 1,031,145             |
| Surface Water Drainage                                 | 133,581              | 320,919               | 400,622               | 48,944                |
| <b>Total business-type activities expenses</b>         | <u>23,821,970</u>    | <u>28,380,297</u>     | <u>32,333,639</u>     | <u>34,832,790</u>     |
| <b>Total primary government expenses</b>               | <u>\$ 88,500,214</u> | <u>\$ 93,388,502</u>  | <u>\$ 107,020,723</u> | <u>\$ 123,575,689</u> |
| <b>Program Revenues</b>                                |                      |                       |                       |                       |
| Governmental activities:                               |                      |                       |                       |                       |
| Charges for Services:                                  |                      |                       |                       |                       |
| General government                                     | \$ 1,700,366         | \$ 3,140,327          | \$ 2,025,502          | \$ 2,351,508          |
| Police   | 194,677              | 118,293               | 1,488,554             | 1,320,381             |
| Fire   | 591,876              | 611,379               | 1,383,419             | 1,295,885             |
| Libraries  | 28,891               | 33,368                | 32,971                | 125,585               |
| Development  | 5,935,022            | 6,587,926             | 6,821,159             | 7,407,719             |
| Parks and recreation                                   | 415,748              | 532,230               | 557,662               | 894,362               |
| Other  | 46,673               | 159,308               | -                     | -                     |
| Operating grants and contributions                     | 1,124,242            | 14,139,287            | 3,117,815             | 2,555,338             |
| Capital grants and contributions                       | 30,211,058           | 26,983,492            | 32,856,489            | 38,605,660            |
| <b>Total governmental activities program revenues</b>  | <u>40,248,553</u>    | <u>52,305,610</u>     | <u>48,283,571</u>     | <u>54,556,438</u>     |
| Business-type activities:                              |                      |                       |                       |                       |
| Charges for Services:                                  |                      |                       |                       |                       |
| Water/Wastewater                                       | 22,653,778           | 27,038,928            | 32,446,505            | 39,393,138            |
| Solid Waste  | 2,910,807            | 3,402,953             | 5,539,419             | 6,369,958             |
| Golf Course  | 895,774              | 954,446               | 932,279               | 965,268               |
| Surface Water Drainage                                 | 441,288              | 480,998               | 517,383               | 552,162               |
| Operating grants and contributions                     | 183,027              | 40,636                | 50,400                | -                     |
| Capital grants and contributions                       | 11,168,778           | 18,132,041            | 12,821,901            | 15,124,649            |
| <b>Total business-type activities program revenues</b> | <u>38,253,452</u>    | <u>50,050,002</u>     | <u>52,307,887</u>     | <u>62,405,175</u>     |
| <b>Total primary government program revenues</b>       | <u>\$ 78,502,005</u> | <u>\$ 102,355,612</u> | <u>\$ 100,591,458</u> | <u>\$ 116,961,613</u> |

TABLE 2

| <u>2007</u>           | <u>2008</u>           | <u>2009</u>           | <u>2010</u>           | <u>2011</u>           |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 16,703,632         | \$ 24,836,791         | \$ 21,154,522         | \$ 29,245,688         | \$ 23,110,420         |
| 17,171,278            | 19,724,792            | 20,881,195            | 21,276,723            | 20,670,697            |
| 15,371,027            | 17,477,479            | 19,371,301            | 19,828,670            | 19,772,826            |
| 2,624,278             | 2,753,427             | 2,894,683             | 3,179,616             | 3,039,839             |
| 9,192,242             | 9,786,774             | 9,507,244             | 9,491,109             | 8,777,957             |
| 7,788,351             | 8,645,291             | 9,383,872             | 9,215,196             | 9,864,370             |
| 25,163,366            | 38,499,039            | 30,724,972            | 33,614,032            | 32,416,388            |
| -                     | -                     | -                     | -                     | -                     |
| 8,108,639             | 7,980,156             | 9,045,551             | 10,241,441            | 10,161,568            |
| 614,282               | 8,541,987             | 1,850,442             | 2,655,115             | 565,000               |
| <u>102,737,095</u>    | <u>138,245,736</u>    | <u>124,813,782</u>    | <u>138,747,590</u>    | <u>128,379,065</u>    |
| 34,284,602            | 37,755,782            | 41,467,962            | 44,083,602            | 46,104,008            |
| 4,625,896             | 5,492,531             | 5,724,412             | 6,213,755             | 6,066,387             |
| 963,658               | 971,187               | 187,769               | 258,801               | 224,175               |
| 25,000                | 63,944                | 877,048               | 1,583,183             | 1,633,798             |
| <u>39,899,156</u>     | <u>44,283,444</u>     | <u>48,257,191</u>     | <u>52,139,341</u>     | <u>54,028,368</u>     |
| <u>\$ 142,636,251</u> | <u>\$ 182,529,180</u> | <u>\$ 173,070,973</u> | <u>\$ 190,886,931</u> | <u>\$ 182,407,433</u> |
| \$ 2,356,380          | \$ 2,631,063          | \$ 2,692,338          | \$ 2,976,341          | \$ 2,999,584          |
| 1,737,930             | 3,771,316             | 2,689,592             | 2,529,019             | 2,676,107             |
| 985,641               | 1,475,731             | 1,607,943             | 794,661               | 1,919,405             |
| 115,841               | 55,649                | 71,437                | 86,927                | 95,033                |
| 5,410,173             | 4,283,881             | 3,949,296             | 4,058,203             | 3,958,584             |
| 929,376               | 1,020,734             | 1,123,973             | 1,037,454             | 1,071,536             |
| -                     | -                     | -                     | 528,000               | 528,000               |
| 1,829,116             | 1,731,674             | 1,834,766             | 2,471,193             | 2,772,410             |
| 33,563,709            | 29,065,497            | 63,619,883            | 20,349,634            | 12,986,318            |
| <u>46,928,166</u>     | <u>44,035,545</u>     | <u>77,589,228</u>     | <u>34,831,432</u>     | <u>29,006,977</u>     |
| 35,082,265            | 38,004,807            | 45,499,621            | 48,117,477            | 57,185,108            |
| 6,430,735             | 6,719,134             | 6,372,156             | 6,000,135             | 6,836,486             |
| 811,557               | 918,519               | 79,451                | 82,026                | 110,257               |
| 622,531               | 1,586,333             | 1,684,830             | 1,751,066             | 1,795,342             |
| -                     | -                     | -                     | -                     | -                     |
| <u>13,160,529</u>     | <u>10,891,962</u>     | <u>21,663,743</u>     | <u>7,106,651</u>      | <u>3,483,388</u>      |
| <u>56,107,617</u>     | <u>58,120,755</u>     | <u>75,299,801</u>     | <u>63,057,355</u>     | <u>69,410,581</u>     |
| <u>\$ 103,035,783</u> | <u>\$ 102,156,300</u> | <u>\$ 152,889,029</u> | <u>\$ 97,888,787</u>  | <u>\$ 98,417,558</u>  |

(continued)

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

|   | Fiscal Year           |                      |                       |                       |
|---|-----------------------|----------------------|-----------------------|-----------------------|
|   | <u>2003</u>           | <u>2004</u>          | <u>2005</u>           | <u>2006</u>           |
| <b>Net (Expenses) Revenue</b>                               |                       |                      |                       |                       |
| Governmental activities                                     | \$ (24,429,691)       | \$ (12,702,595)      | \$ (26,403,513)       | \$ (34,186,461)       |
| Business-type activities                                    | 14,431,482            | 21,669,705           | 19,974,248            | 27,572,385            |
| Total primary government net expenses                       | <u>\$ (9,998,209)</u> | <u>\$ 8,967,110</u>  | <u>\$ (6,429,265)</u> | <u>\$ (6,614,076)</u> |
| <b>General Revenues<br/>and Other Changes in Net Assets</b> |                       |                      |                       |                       |
| Governmental activities:                                    |                       |                      |                       |                       |
| Taxes:  |                       |                      |                       |                       |
| Property taxes  | \$ 30,863,377         | \$ 34,354,015        | \$ 38,367,588         | \$ 43,300,502         |
| Sales and use taxes   | 8,218,570             | 9,572,791            | 12,179,328            | 14,030,309            |
| Franchise taxes   | 5,440,761             | 5,907,349            | 6,918,032             | 8,661,620             |
| Investment income   | 1,302,588             | 1,522,920            | 2,513,508             | 5,455,210             |
| Gain on sale of capital assets                              | 71,315                | 55,508               | 80,482                | -                     |
| Miscellaneous   | -                     | -                    | 62,581                | 44,291                |
| Contributions   | -                     | -                    | (6,027,093)           | -                     |
| Transfers   | 1,547,623             | 3,167,306            | 2,041,828             | 2,704,133             |
| Prior period adjustment                                     | -                     | -                    | -                     | -                     |
| <b>Total governmental activities</b>                        | <u>47,444,234</u>     | <u>54,579,889</u>    | <u>56,136,254</u>     | <u>74,196,065</u>     |
| Business-type activities:                                   |                       |                      |                       |                       |
| Investment income   | 764,703               | 889,810              | 1,164,701             | 2,621,448             |
| Gain on sale of capital assets                              | 3,742                 | (313,001)            | 24,808                | -                     |
| Contributions   | -                     | -                    | 3,271,996             | -                     |
| Transfers   | (1,547,623)           | (3,167,306)          | (2,041,828)           | (2,704,133)           |
| Prior period adjustment                                     | -                     | -                    | -                     | -                     |
| <b>Total business-type activities</b>                       | <u>(779,178)</u>      | <u>(2,590,497)</u>   | <u>2,419,677</u>      | <u>(82,685)</u>       |
| <b>Total primary government</b>                             | <u>\$ 46,665,056</u>  | <u>\$ 51,989,392</u> | <u>\$ 58,555,931</u>  | <u>\$ 74,113,380</u>  |
| <b>Change in Net Assets</b>                                 |                       |                      |                       |                       |
| Governmental activities                                     | \$ 23,014,543         | \$ 41,877,294        | \$ 29,732,741         | \$ 40,009,604         |
| Business-type activities                                    | 13,652,304            | 19,079,208           | 22,393,925            | 27,489,700            |
| <b>Total primary government</b>                             | <u>\$ 36,666,847</u>  | <u>\$ 60,956,502</u> | <u>\$ 52,126,666</u>  | <u>\$ 67,499,304</u>  |

**Source:** Comprehensive Annual Financial Report

**Note 1:** Accrual-basis financial information for the City as a whole is only available back to fiscal year 2003, the year GASB Statement 34 was implemented.

**Note 2:** 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

| <u>2007</u>            | <u>2008</u>            | <u>2009</u>            | <u>2010</u>            | <u>2011</u>            |
|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ (55,808,929)        | \$ (94,210,191)        | \$ (47,224,554)        | \$ (103,916,158)       | \$ (99,372,088)        |
| 16,208,461             | 13,837,311             | 27,042,610             | 10,918,014             | 15,382,213             |
| <u>\$ (39,600,468)</u> | <u>\$ (80,372,880)</u> | <u>\$ (20,181,944)</u> | <u>\$ (92,998,144)</u> | <u>\$ (83,989,875)</u> |
| \$ 49,300,666          | \$ 57,707,103          | \$ 62,815,581          | \$ 63,172,075          | \$ 62,862,038          |
| 16,189,172             | 17,683,376             | 17,124,800             | 16,926,949             | 17,265,587             |
| 8,462,571              | 9,633,525              | 9,724,093              | 10,794,251             | 12,050,388             |
| 7,882,249              | 4,950,865              | 2,764,578              | 2,378,612              | 1,664,055              |
| -                      | -                      | 37,016                 | -                      | -                      |
| 119,323                | 273,109                | 892,940                | 251,485                | 257,395                |
| -                      | -                      | -                      | -                      | -                      |
| 2,483,516              | 2,287,922              | 2,833,843              | 2,643,302              | 2,643,302              |
| 1,857,835              | -                      | -                      | -                      | -                      |
| <u>86,295,332</u>      | <u>92,535,900</u>      | <u>96,192,851</u>      | <u>96,166,674</u>      | <u>96,742,765</u>      |
| 3,688,586              | 2,315,647              | 1,318,112              | 1,031,169              | 1,020,661              |
| 32,147                 | 50,510                 | 10,704                 | 26,004                 | 46,847                 |
| -                      | -                      | -                      | -                      | -                      |
| (2,483,516)            | (2,287,922)            | (2,833,843)            | (2,643,302)            | (2,643,302)            |
| 284,567                | -                      | -                      | -                      | -                      |
| <u>1,521,784</u>       | <u>78,235</u>          | <u>(1,505,027)</u>     | <u>(1,586,129)</u>     | <u>(1,575,794)</u>     |
| <u>\$ 87,817,116</u>   | <u>\$ 92,614,135</u>   | <u>\$ 94,687,824</u>   | <u>\$ 94,580,545</u>   | <u>\$ 95,166,971</u>   |
| \$ 30,486,403          | \$ (1,674,291)         | \$ 48,968,297          | \$ (7,749,484)         | \$ (2,629,323)         |
| 17,730,245             | 13,915,546             | 25,537,583             | 9,331,885              | 13,806,419             |
| <u>\$ 48,216,648</u>   | <u>\$ 12,241,255</u>   | <u>\$ 74,505,880</u>   | <u>\$ 1,582,401</u>    | <u>\$ 11,177,096</u>   |

(concluded)

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

|   | Fiscal Year                 |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <u>2002</u>                 | <u>2003</u>                 | <u>2004</u>                 |
| General Fund                              |                             |                             |                             |
| Non-spendable:                            |                             |                             |                             |
| Inventory and prepaid items               | \$ -                        | \$ -                        | \$ -                        |
| Note receivable from component unit       | -                           | -                           | -                           |
| Assigned:                                 |                             |                             |                             |
| Insurance risk                            | -                           | -                           | -                           |
| OPEB                                      | -                           | -                           | -                           |
| Unassigned                                | -                           | -                           | -                           |
| Reserved for:                             |                             |                             |                             |
| Inventory and prepaid items               | \$ 123,204                  | \$ 58,409                   | \$ 82,878                   |
| Advance to other funds                    | -                           | 815,727                     | 850,000                     |
| Note receivable from component unit       | -                           | -                           | 1,715,000                   |
| Designated                                |                             |                             |                             |
| Insurance risk                            | -                           | -                           | -                           |
| Unreserved                                | <u>25,007,305</u>           | <u>26,100,159</u>           | <u>26,490,722</u>           |
| <b>Total general fund</b>                 | <b><u>\$ 25,130,509</u></b> | <b><u>\$ 26,974,295</u></b> | <b><u>\$ 29,138,600</u></b> |
| All Other Governmental Funds              |                             |                             |                             |
| Non-spendable:                            |                             |                             |                             |
| Prepaid items                             | \$ -                        | \$ -                        | \$ -                        |
| Restricted:                               |                             |                             |                             |
| Debt service                              | -                           | -                           | -                           |
| Street construction                       | -                           | -                           | -                           |
| Capital projects funds                    | -                           | -                           | -                           |
| Law enforcement                           | -                           | -                           | -                           |
| Fire                                      | -                           | -                           | -                           |
| Library                                   | -                           | -                           | -                           |
| Community housing                         | -                           | -                           | -                           |
| Grants                                    | -                           | -                           | -                           |
| Reserved for:                             |                             |                             |                             |
| Prepaid items                             | -                           | 1,000,306                   | 5,370                       |
| Debt service                              | 1,616,712                   | 1,113,696                   | 1,473,936                   |
| Street construction                       | -                           | 23,442,121                  | 34,733,654                  |
| Capital projects funds                    | 26,534,028                  | 11,895,896                  | 12,805,731                  |
| Unreserved, reported in:                  |                             |                             |                             |
| Special revenue funds                     | <u>1,659,282</u>            | <u>1,642,901</u>            | <u>1,524,448</u>            |
| <b>Total all other governmental funds</b> | <b><u>\$ 29,810,022</u></b> | <b><u>\$ 39,094,920</u></b> | <b><u>\$ 50,543,139</u></b> |

**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**

| <b>Fiscal Year</b>   |                      |                      |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <u>2005</u>          | <u>2006</u>          | <u>2007</u>          | <u>2008</u>          | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          |
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 396,975           |
| -                    | -                    | -                    | -                    | -                    | -                    | 2,917,500            |
| -                    | -                    | -                    | -                    | -                    | -                    | 1,600,559            |
| -                    | -                    | -                    | -                    | -                    | -                    | 1,530,120            |
| -                    | -                    | -                    | -                    | -                    | -                    | 35,521,032           |
| \$ 573,578           | \$ 523,923           | \$ 764,432           | \$ 885,780           | \$ 1,054,833         | \$ 941,699           | -                    |
| 1,005,000            | 725,000              | 725,000              | 589,000              | -                    | -                    | -                    |
| 2,135,000            | 1,695,000            | 1,240,000            | 775,000              | 10,355,000           | 4,102,500            | -                    |
| -                    | 3,682,374            | 2,472,273            | 2,291,879            | 1,600,559            | 1,600,559            | -                    |
| 31,615,982           | 38,086,490           | 40,316,555           | 39,998,634           | 28,838,279           | 33,023,643           | -                    |
| <u>\$ 35,329,560</u> | <u>\$ 44,712,787</u> | <u>\$ 45,518,260</u> | <u>\$ 44,540,293</u> | <u>\$ 41,848,671</u> | <u>\$ 39,668,401</u> | <u>\$ 41,966,186</u> |
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 423,897           |
| -                    | -                    | -                    | -                    | -                    | -                    | 1,261,454            |
| -                    | -                    | -                    | -                    | -                    | -                    | 31,356,277           |
| -                    | -                    | -                    | -                    | -                    | -                    | 36,523,123           |
| -                    | -                    | -                    | -                    | -                    | -                    | 164,887              |
| -                    | -                    | -                    | -                    | -                    | -                    | 26,858               |
| -                    | -                    | -                    | -                    | -                    | -                    | 384,855              |
| -                    | -                    | -                    | -                    | -                    | -                    | 65,005               |
| -                    | -                    | -                    | -                    | -                    | -                    | 150,292              |
| 6,807                | 1,520                | 7,499                | 13,586               | 736,658              | 570,994              | -                    |
| 960,697              | 1,737,689            | 2,054,266            | 2,494,512            | 2,734,212            | 1,891,142            | -                    |
| 38,621,728           | 58,313,044           | 57,071,884           | 40,323,951           | 42,247,778           | 33,628,327           | -                    |
| 22,606,722           | 16,686,851           | 23,877,681           | 29,569,488           | 34,402,903           | 45,431,706           | -                    |
| 2,878,919            | 3,248,852            | 2,850,885            | 2,782,428            | 2,208,805            | 1,975,456            | -                    |
| <u>\$ 65,074,873</u> | <u>\$ 79,987,956</u> | <u>\$ 85,862,215</u> | <u>\$ 75,183,965</u> | <u>\$ 82,330,356</u> | <u>\$ 83,497,625</u> | <u>\$ 70,356,648</u> |

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

| Fiscal Year          |                     |                        |                     |                       |                        |
|----------------------|---------------------|------------------------|---------------------|-----------------------|------------------------|
| 2006                 | 2007                | 2008                   | 2009                | 2010                  | 2011                   |
| \$ 43,188,169        | \$ 49,491,145       | \$ 57,723,642          | \$ 62,832,495       | \$ 62,960,439         | \$ 62,717,460          |
| 14,030,309           | 16,189,172          | 17,683,376             | 17,124,800          | 16,926,949            | 17,265,587             |
| 9,549,688            | 8,526,059           | 9,591,738              | 9,759,548           | 10,731,125            | 11,941,486             |
| 7,646,826            | 5,651,313           | 5,011,193              | 4,726,614           | 4,809,193             | 4,692,292              |
| 4,432,442            | 6,077,805           | 5,700,988              | 15,403,491          | 4,400,346             | 5,861,390              |
| 4,019,262            | 4,140,201           | 4,353,096              | 4,867,661           | 5,846,806             | 6,040,354              |
| 1,383,144            | 1,777,098           | 2,220,418              | 2,276,354           | 1,990,092             | 2,183,023              |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 5,455,210            | 7,882,249           | 5,343,879              | 2,741,843           | 2,387,670             | 1,284,718              |
| 13,233,500           | 5,332,359           | 8,102,152              | 14,668,141          | 6,000,759             | 5,224,780              |
| 187,019              | 149,371             | 436,393                | 856,806             | 255,221               | 265,146                |
| <u>103,125,569</u>   | <u>105,216,772</u>  | <u>116,166,875</u>     | <u>135,257,753</u>  | <u>116,308,600</u>    | <u>117,476,236</u>     |
| 13,412,203           | 14,913,949          | 16,966,335             | 19,366,493          | 22,098,360            | 20,785,693             |
| 13,247,346           | 16,273,783          | 18,860,105             | 19,923,024          | 20,145,964            | 19,655,184             |
| 11,919,118           | 14,473,038          | 16,227,513             | 17,894,488          | 17,959,131            | 17,930,235             |
| 2,233,304            | 2,349,242           | 2,489,144              | 2,638,350           | 2,909,708             | 2,781,727              |
| 6,638,554            | 9,305,154           | 9,457,015              | 9,185,580           | 9,159,668             | 8,512,495              |
| 5,785,330            | 5,945,941           | 6,733,160              | 7,399,164           | 7,145,909             | 7,275,824              |
| 9,145,253            | 9,964,055           | 21,786,333             | 12,275,920          | 13,286,420            | 10,610,792             |
| 3,614,677            | 614,282             | 8,541,987              | 1,850,442           | 2,655,115             | 565,000                |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 41,031,431           | 35,697,217          | 50,500,331             | 52,493,363          | 29,483,890            | 22,264,775             |
| 6,168,369            | 6,722,708           | 8,370,008              | 9,905,035           | 10,848,562            | 9,980,000              |
| 5,354,320            | 7,459,981           | 7,677,731              | 9,008,269           | 9,679,110             | 10,254,116             |
| <u>118,549,905</u>   | <u>123,719,350</u>  | <u>167,609,662</u>     | <u>161,940,128</u>  | <u>145,371,837</u>    | <u>130,615,841</u>     |
| <u>(15,424,336)</u>  | <u>(18,502,578)</u> | <u>(51,442,787)</u>    | <u>(26,682,375)</u> | <u>(29,063,237)</u>   | <u>(13,139,605)</u>    |
| 64,015,000           | 20,490,000          | 37,205,000             | 28,210,000          | 25,295,000            | -                      |
| (27,926,115)         | -                   | -                      | -                   | -                     | -                      |
| 347,801              | 56,933              | -                      | -                   | -                     | -                      |
| 379,683              | -                   | -                      | -                   | -                     | -                      |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 30,897               | 294,026             | 293,648                | 93,301              | 111,934               | 105,911                |
| 4,979,364            | 6,460,890           | 4,662,194              | 4,813,797           | 3,548,163             | 3,385,024              |
| -                    | -                   | -                      | -                   | -                     | -                      |
| <u>(2,105,984)</u>   | <u>(3,977,374)</u>  | <u>(2,374,272)</u>     | <u>(1,979,954)</u>  | <u>(904,861)</u>      | <u>(741,722)</u>       |
| <u>39,720,646</u>    | <u>23,324,475</u>   | <u>39,786,570</u>      | <u>31,137,144</u>   | <u>28,050,236</u>     | <u>2,749,213</u>       |
| -                    | 1,857,835           | -                      | -                   | -                     | -                      |
| <u>\$ 24,296,310</u> | <u>\$ 6,679,732</u> | <u>\$ (11,656,217)</u> | <u>\$ 4,454,769</u> | <u>\$ (1,013,001)</u> | <u>\$ (10,390,392)</u> |
| 14.9%                | 16.1%               | 13.7%                  | 17.3%               | 17.7%                 | 18.7%                  |



TABLE 4

| Fiscal Year          |                     |                        |                     |                       |                        |
|----------------------|---------------------|------------------------|---------------------|-----------------------|------------------------|
| 2006                 | 2007                | 2008                   | 2009                | 2010                  | 2011                   |
| \$ 43,188,169        | \$ 49,491,145       | \$ 57,723,642          | \$ 62,832,495       | \$ 62,960,439         | \$ 62,717,460          |
| 14,030,309           | 16,189,172          | 17,683,376             | 17,124,800          | 16,926,949            | 17,265,587             |
| 9,549,688            | 8,526,059           | 9,591,738              | 9,759,548           | 10,731,125            | 11,941,486             |
| 7,646,826            | 5,651,313           | 5,011,193              | 4,726,614           | 4,809,193             | 4,692,292              |
| 4,432,442            | 6,077,805           | 5,700,988              | 15,403,491          | 4,400,346             | 5,861,390              |
| 4,019,262            | 4,140,201           | 4,353,096              | 4,867,661           | 5,846,806             | 6,040,354              |
| 1,383,144            | 1,777,098           | 2,220,418              | 2,276,354           | 1,990,092             | 2,183,023              |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 5,455,210            | 7,882,249           | 5,343,879              | 2,741,843           | 2,387,670             | 1,284,718              |
| 13,233,500           | 5,332,359           | 8,102,152              | 14,668,141          | 6,000,759             | 5,224,780              |
| 187,019              | 149,371             | 436,393                | 856,806             | 255,221               | 265,146                |
| <u>103,125,569</u>   | <u>105,216,772</u>  | <u>116,166,875</u>     | <u>135,257,753</u>  | <u>116,308,600</u>    | <u>117,476,236</u>     |
| 13,412,203           | 14,913,949          | 16,966,335             | 19,366,493          | 22,098,360            | 20,785,693             |
| 13,247,346           | 16,273,783          | 18,860,105             | 19,923,024          | 20,145,964            | 19,655,184             |
| 11,919,118           | 14,473,038          | 16,227,513             | 17,894,488          | 17,959,131            | 17,930,235             |
| 2,233,304            | 2,349,242           | 2,489,144              | 2,638,350           | 2,909,708             | 2,781,727              |
| 6,638,554            | 9,305,154           | 9,457,015              | 9,185,580           | 9,159,668             | 8,512,495              |
| 5,785,330            | 5,945,941           | 6,733,160              | 7,399,164           | 7,145,909             | 7,275,824              |
| 9,145,253            | 9,964,055           | 21,786,333             | 12,275,920          | 13,286,420            | 10,610,792             |
| 3,614,677            | 614,282             | 8,541,987              | 1,850,442           | 2,655,115             | 565,000                |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 41,031,431           | 35,697,217          | 50,500,331             | 52,493,363          | 29,483,890            | 22,264,775             |
| 6,168,369            | 6,722,708           | 8,370,008              | 9,905,035           | 10,848,562            | 9,980,000              |
| 5,354,320            | 7,459,981           | 7,677,731              | 9,008,269           | 9,679,110             | 10,254,116             |
| <u>118,549,905</u>   | <u>123,719,350</u>  | <u>167,609,662</u>     | <u>161,940,128</u>  | <u>145,371,837</u>    | <u>130,615,841</u>     |
| <u>(15,424,336)</u>  | <u>(18,502,578)</u> | <u>(51,442,787)</u>    | <u>(26,682,375)</u> | <u>(29,063,237)</u>   | <u>(13,139,605)</u>    |
| 64,015,000           | 20,490,000          | 37,205,000             | 28,210,000          | 25,295,000            | -                      |
| (27,926,115)         | -                   | -                      | -                   | -                     | -                      |
| 347,801              | 56,933              | -                      | -                   | -                     | -                      |
| 379,683              | -                   | -                      | -                   | -                     | -                      |
| -                    | -                   | -                      | -                   | -                     | -                      |
| 30,897               | 294,026             | 293,648                | 93,301              | 111,934               | 105,911                |
| 4,979,364            | 6,460,890           | 4,662,194              | 4,813,797           | 3,548,163             | 3,385,024              |
| -                    | -                   | -                      | -                   | -                     | -                      |
| <u>(2,105,984)</u>   | <u>(3,977,374)</u>  | <u>(2,374,272)</u>     | <u>(1,979,954)</u>  | <u>(904,861)</u>      | <u>(741,722)</u>       |
| <u>39,720,646</u>    | <u>23,324,475</u>   | <u>39,786,570</u>      | <u>31,137,144</u>   | <u>28,050,236</u>     | <u>2,749,213</u>       |
| -                    | 1,857,835           | -                      | -                   | -                     | -                      |
| <u>\$ 24,296,310</u> | <u>\$ 6,679,732</u> | <u>\$ (11,656,217)</u> | <u>\$ 4,454,769</u> | <u>\$ (1,013,001)</u> | <u>\$ (10,390,392)</u> |
| 14.9%                | 16.1%               | 13.7%                  | 17.3%               | 17.7%                 | 18.7%                  |

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

**TABLE 5**

| <b>Fiscal Year</b> | <b>Residential Property</b> | <b>Commercial Property</b> | <b>Lots, Land and Farms Property</b> | <b>Less: Tax-Exempt Property</b> | <b>Total Taxable Assessed Value<sup>a</sup></b> | <b>Total Direct Tax Rate</b> |
|--------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------------|---|------------------------------|
| 2002               | 2,748,381,710               | 1,330,682,726              | 752,526,537                          | 675,452,008                      | 4,156,138,965                                   | 0.59800                      |
| 2003               | 3,366,376,924               | 1,442,807,072              | 1,004,229,613                        | 770,583,751                      | 5,042,829,858                                   | 0.59800                      |
| 2004               | 3,843,041,571               | 1,492,929,792              | 1,048,331,414                        | 812,651,649                      | 5,571,651,128                                   | 0.59800                      |
| 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               | 7,497,843,733               | 2,789,235,616              | 1,324,697,821                        | 1,113,096,042                    | 10,498,681,128                                  | 0.58550                      |
| 2011               | 7,724,899,788               | 2,654,376,775              | 1,214,325,225                        | 1,069,689,217                    | 10,523,912,571                                  | 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 i  
 Tax rates are per \$100 of assessed value.

<sup>a</sup> Fiscal year reports from prior year's certified tax report

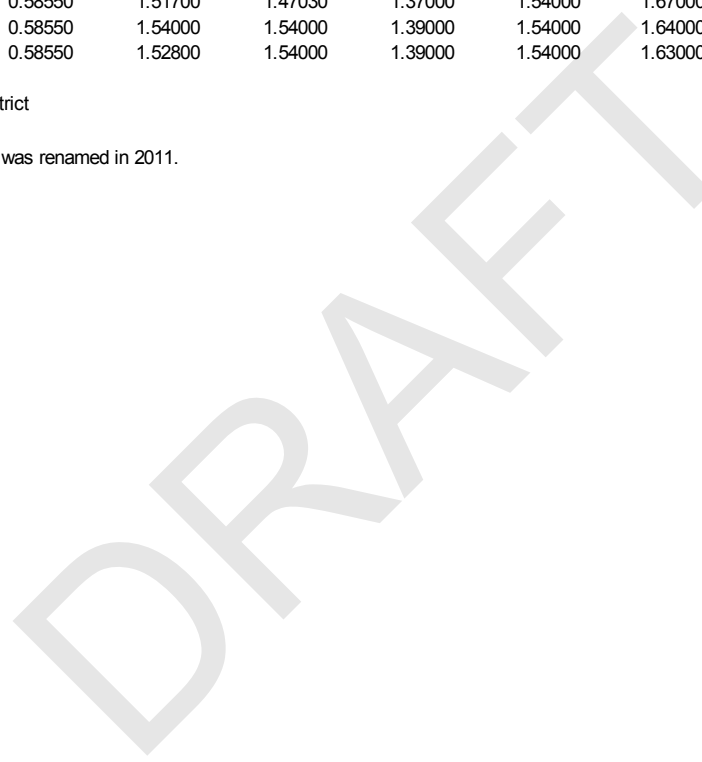
**CITY OF MCKINNEY, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES (PER \$100 OF ASSESSED VALUE)  
 LAST TEN FISCAL YEARS (UNAUDITED)**

**TABLE 6**

| Fiscal Year | City Direct Rates       |                         |              | Overlapping Rates                    |                                   |                                    |                                     |                                     |                                      |               |                                      |
|-------------|-------------------------|-------------------------|--------------|--------------------------------------|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------|---------------|--------------------------------------|
|             | Operating/ General Rate | Debt Obligation 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 <sup>a</sup> |
| 2002        | 0.41898                 | 0.17902                 | 0.59800      | 1.78500                              | 1.83142                           | 1.44000                            | 1.71127                             | 1.72025                             | 1.62000                              | 0.25000       | 0.09284                              |
| 2003        | 0.43445                 | 0.16355                 | 0.59800      | 1.94500                              | 1.80820                           | 1.49750                            | 1.69562                             | 1.76096                             | 1.60000                              | 0.25000       | 0.09195                              |
| 2004        | 0.42145                 | 0.17655                 | 0.59800      | 1.98000                              | 1.87230                           | 1.51750                            | 1.87887                             | 1.81990                             | 1.70300                              | 0.25000       | 0.09193                              |
| 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                              |

Source Collin Central Appraisal District

<sup>a</sup> Collin County Community College was renamed in 2011.



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

**TABLE 7**

| Taxpayer                            | 2011                   |      |  | 2002                   |      |  |
|-------------------------------------|------------------------|------|--|------------------------|------|--|
|                                     | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value <sup>a</sup> | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value <sup>b</sup> |
| Encore Wire Limited                 | \$ 109,563,537         | 1    | 1.04%  | \$ 38,715,385          | 3    | 0.93%  |
| Raytheon TI Systems, Inc.           | 74,913,311             | 2    | 0.71%  | 51,709,951             | 1    | 1.24%  |
| Columbia Medical Center of McKinney | 50,564,525             | 3    | 0.48%  | —                      |      | —  |
| Oncor Electric Delivery Co.         | 49,872,298             | 4    | 0.47%  | —                      |      | —  |
| Mid-America Apartments LP           | 43,500,000             | 5    | 0.41%  | —                      |      | —  |
| Blockbuster Video, Inc.             | 38,339,381             | 6    | 0.36%  | 21,663,498             | 9    | 0.52%  |
| Covington Cameron Acquisition LLC   | 36,800,000             | 7    | 0.35%  | —                      |      | —  |
| McKinney Towne Crossing LP          | 35,901,000             | 8    | 0.34%  | —                      |      | —  |
| Lowe's Home Centers, Inc.           | 35,524,495             | 9    | 0.34%  | —                      |      | —  |
| Saxon Woods Associates, LP          | 33,200,000             | 10   | 0.32%  | —                      |      | —  |
| Texas Utilities                     | —                      |      | —  | 43,704,312             | 2    | 1.05%  |
| BV Realty Partners LP               | —                      |      | —  | 38,250,000             | 4    | 0.92%  |
| McKinney / Hunt CC Ltd              | —                      |      | —  | 34,829,041             | 5    | 0.84%  |
| HCA / McKinney Hospital             | —                      |      | —  | 26,242,360             | 6    | 0.63%  |
| Westerra Stonebridge                | —                      |      | —  | 24,838,385             | 7    | 0.60%  |
| Southwestern Bell Telephone         | —                      |      | —  | 23,843,275             | 8    | 0.57%  |
| Texas Instruments                   | —                      |      | —  | 17,452,740             | 10   | 0.42%  |
| <b>Total</b>                        | <b>\$ 508,178,547</b>  |      | <b>4.83%</b>   | <b>\$ 321,248,947</b>  |      | <b>7.73%</b>   |

**Source:** Collin County Tax Assessor and Collector

**Notes:** <sup>a</sup> Taxpayers are assessed on January 1, 2010 (2010 tax year) for the 2011 fiscal year.

<sup>b</sup> Taxpayers are assessed on January 1, 2001 (2001 tax year) for the 2002 fiscal year.

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

**TABLE 8**

| Fiscal Year<br>Ended<br>September 30 | Total Tax<br>Levy for<br>Fiscal Year | Collected within the Fiscal<br>Year of the Levy |                       | Collections<br>in<br>Subsequent<br>Years | Total Collections to Date |                       |
|--------------------------------------|--------------------------------------|---|-----------------------|--|---------------------------|-----------------------|
|                                      |                                      | Amount  | Percentage<br>of levy |  | Amount                    | Percentage<br>of levy |
| 2002                                 | 25,060,682                           | 24,636,709                                      | 98.31%                | 464,884                                  | 25,101,593                | 100.16%               |
| 2003                                 | 30,525,136                           | 29,844,231                                      | 97.77%                | 414,695                                  | 30,258,926                | 99.13%                |
| 2004                                 | 34,011,588                           | 33,452,893                                      | 98.36%                | 502,560                                  | 33,955,453                | 99.83%                |
| 2005                                 | 37,763,635                           | 37,039,384                                      | 98.08%                | 707,604                                  | 37,746,988                | 99.96%                |
| 2006                                 | 42,686,986                           | 41,731,410                                      | 97.76%                | 794,403                                  | 42,525,813                | 99.62%                |
| 2007                                 | 48,607,924                           | 47,974,805                                      | 98.70%                | 1,085,869                                | 49,060,674                | 100.93%               |
| 2008                                 | 56,776,558                           | 56,166,777                                      | 98.93%                | 850,010                                  | 57,016,787                | 100.42%               |
| 2009                                 | 62,280,815                           | 61,576,965                                      | 98.87%                | 695,368                                  | 62,272,333                | 99.99%                |
| 2010                                 | 62,486,523                           | 61,922,528                                      | 99.10%                | 751,604                                  | 62,674,132                | 100.30%               |
| 2011                                 | 62,471,731                           | 61,901,919                                      | 99.09%                | 388,728                                  | 62,290,647                | 99.71%                |

**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 <sup>a</sup> | Per Capita <sup>a</sup> |
|-------------|--------------------------|----------------------------|-------------------|-------------------------------|-------------------|--------------------------|--|-------------------------|
|             | General Obligation Bonds | Certificates of Obligation | Other Obligations | Water and Sewer Revenue Bonds | Other Obligations |                          |  |                         |
| 2002        | 43,147,461               | 14,220,001                 | 803,056           | 26,120,000                    | 85,718            | 84,376,236               | 4.50%                                      | 1,267                   |
| 2003        | 57,471,192               | 19,755,001                 | 5,838,436         | 31,180,000                    | (131,014)         | 114,113,615              | 5.46%                                      | 1,540                   |
| 2004        | 72,935,000               | 23,445,001                 | 2,666,186         | 38,180,000                    | (174,141)         | 137,052,046              | 5.66%                                      | 1,596                   |
| 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              | 8.85%                                      | 2,496                   |
| 2011        | 145,415,000              | 72,310,000                 | 4,931,501         | 78,635,000                    | 397,025           | 301,688,526              | 7.25%                                      | 2,258                   |

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

<sup>a</sup>See 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**

| <u>General Bonded Debt Outstanding</u> |                                 |                                   |              |   |                               |
|--|---------------------------------|-----------------------------------|--------------|---|-------------------------------|
| <u>Fiscal Year</u>                     | <u>General Obligation Bonds</u> | <u>Certificates of Obligation</u> | <u>Total</u> | <u>Percentage of Actual Taxable Value of Property<sup>a</sup></u> | <u>Per Capita<sup>b</sup></u> |
| 2002                                   | 43,147,461                      | 14,220,001                        | 57,367,462   | 1.38%   | 862                           |
| 2003                                   | 57,471,192                      | 19,755,001                        | 77,226,193   | 1.53%   | 1,042                         |
| 2004                                   | 72,935,000                      | 23,445,001                        | 96,380,001   | 1.73%   | 1,122                         |
| 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  | 2.17%   | 1,799                         |
| 2011                                   | 145,415,000                     | 72,310,000                        | 217,725,000  | 2.07%   | 1,629                         |

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

<sup>a</sup>See Table 5 for property value data.

<sup>b</sup>See Table 14 for population data.

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

**TABLE 11**

|                    | Fiscal Year    |                |                |                |                |                |                |                |                |                |
|--------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                    | 2002           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           |
| 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   | 0.5980         | 0.5980         | 0.5980         | 0.5930         | 0.5880         | 0.5880         | 0.5855         | 0.5855         | 0.5855         | 0.5855         |
| Available Tax Rate | <u>\$ 1.90</u> | <u>\$ 1.90</u> | <u>\$ 1.90</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 tax rate is limited to state law, the maximum \$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.

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**CITY OF MCKINNEY, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
SEPTEMBER 30, 2011 (UNAUDITED)**

**TABLE 12**

| <u>Governmental Unit</u>                 | <u>Gross Bonded Debt</u> | <u>Estimated Percentage Applicable<sup>a</sup></u> | <u>McKinney Share of Overlapping Debt</u> |
|--|--------------------------|--|---|
| <b>Debt repaid with property taxes</b>   |                          |  |   |
| McKinney I.S.D.                          | \$ 424,325,000           | 90.915%  | \$ 385,775,353                            |
| Collin College District                  | 40,101,709               | 14.616%  | 5,861,117                                 |
| Collin County                            | 387,580,000              | 14.821%  | 57,441,559                                |
| Allen I.S.D.                             | 424,497,100              | 4.355%   | 18,488,136                                |
| Frisco I.S.D.                            | 1,247,258,098            | 13.605%  | 169,693,642                               |
| Melissa I.S.D.                           | 68,353,909               | 0.001%   | 744                                       |
| Prosper I.S.D.                           | 268,118,344              | 19.569%  | 52,468,191                                |
| Lovejoy I.S.D.                           | 113,060,238              | 0.546%   | 617,016                                   |
| Subtotal, overlapping debt               | <u>\$2,973,294,398</u>   |  | <u>\$ 690,345,758</u>                     |
| <b>City of McKinney (direct debt)</b>    | 217,725,000              | 100.00%  | <u>\$ 217,725,000</u>                     |
| <b>Total direct and overlapping debt</b> |                          |  | <u><u>\$ 908,070,758</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.

<sup>a</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values. 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**

| <b>Water and Sewer System Revenue Bonds</b> |                                       |   |                                  |   |                           |
|---|---------------------------------------|---|----------------------------------|---|---------------------------|
| <b>Fiscal<br/>Year</b>                      | <b>Less:</b>                          |   |                                  |   |                           |
|   | <b>Total<br/>Revenues<sup>a</sup></b> | <b>Operating<br/>Expenses<sup>b</sup></b> | <b>Net Available<br/>Revenue</b> | <b>Annual<br/>Requirement<sup>c</sup></b> | <b>Times<br/>Coverage</b> |
| 2002  | 21,048,211                            | 13,784,892                                | 7,263,319                        | 2,357,290                                 | 3.08                      |
| 2003  | 23,321,351                            | 15,626,123                                | 7,695,228                        | 2,453,415                                 | 3.14                      |
| 2004  | 27,857,953                            | 18,584,309                                | 9,273,644                        | 2,955,368                                 | 3.14                      |
| 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                      |

**Note:** <sup>a</sup>Includes operating and investment income.

<sup>b</sup>Includes operating expenses minus depreciation.

<sup>c</sup>Includes Principal and Interest (represents average annual requirement)

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

**TABLE 14**

| <b>Year</b> | <b>Estimated Population<sup>a</sup></b> | <b>Personal Income</b> | <b>Per Capita Personal Income<sup>b</sup></b> | <b>Median Age<sup>b</sup></b> | <b>Median Household Income<sup>b</sup></b> | <b>School Enrollment<sup>c</sup></b> | <b>Unemployment Rate<sup>d</sup></b> |
|-------------|---|------------------------|---|-------------------------------|--|--------------------------------------|--------------------------------------|
| 2002        | 66,575                                  | 1,876,416,375          | 28,185  | 30.6                          | 63,366                                     | 15,151                               | 8.90%                                |
| 2003        | 74,108                                  | 2,088,733,980          | 28,185  | 30.6                          | 63,366                                     | 16,513                               | 10.60%                               |
| 2004        | 85,865                                  | 2,420,105,025          | 28,185  | 30.6                          | 63,366                                     | 17,926                               | 8.40%                                |
| 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        | 126,548                                 | 3,566,755,380          | 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%                                |

**Sources:** <sup>a</sup>Estimated Population - U.S. Census Bureau and City of McKinney

<sup>b</sup>Per Capita Income, Median Age & Median Household Income - U.S. Census Bureau (Compiled every ten years)

<sup>c</sup>School Enrollment - McKinney Independent School District

<sup>d</sup>Unemployment - Texas Workforce Commission

**Note:** Personal income is calculated by multiplying estimated population by per capita personal income.

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

**TABLE 15**

| Employer                             | 2011          |      |                                     | 2002         |      |                                     |
|--------------------------------------|---------------|------|-------------------------------------|--------------|------|-------------------------------------|
|                                      | Employees     | Rank | Percentage of Total City Employment | Employees    | Rank | Percentage of Total City Employment |
| Raytheon TI Systems Inc              | 3,700         | 1    | 6.31%                               | 2,000        | 1    | 7.61%                               |
| McKinney Independent School District | 2,582         | 2    | 4.40%                               | 1,275        | 2    | 4.85%                               |
| Collin County                        | 1,581         | 3    | 2.70%                               | 1,255        | 3    | 4.77%                               |
| Lattimore Materials                  | 1,100         | 4    | 1.88%                               | —            | —    | —                                   |
| McKinney Medical Center              | 1,105         | 5    | 1.88%                               | 750          | 5    | 2.85%                               |
| City of McKinney                     | 854           | 6    | 1.46%                               | 535          | 8    | 2.03%                               |
| Encore Wire                          | 800           | 7    | 1.36%                               | 600          | 6    | 2.28%                               |
| Torchmark / United American Ins.     | 800           | 8    | 1.36%                               | —            | —    | —                                   |
| Watson & Chalin                      | 800           | 9    | 1.36%                               | —            | —    | —                                   |
| Collin College                       | 622           | 10   | 1.06%                               | 393          | 10   | 1.49%                               |
| Blockbuster Distribution             | —             | —    | —                                   | 1,200        | 4    | 4.56%                               |
| United American Insurance            | —             | —    | —                                   | 550          | 7    | 2.09%                               |
| Fisher/Emerson                       | —             | —    | —                                   | 394          | 9    | 1.50%                               |
| <b>Total</b>                         | <b>13,944</b> |      | <b>23.77%</b>                       | <b>8,952</b> |      | <b>34.03%</b>                       |

**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** **TABLE 16**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

| Function/Program       | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                        | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         |
| General Government     |              |              |              |              |              |              |              |              |              |              |
| General Government     | 49.0         | 54.0         | 57.0         | 62.5         | 71.0         | 80.5         | 88.5         | 90.5         | 104.5        | 103.0        |
| Police                 | 107.5        | 120.5        | 128.5        | 142.0        | 157.0        | 173.0        | 192.0        | 203.0        | 208.0        | 207.0        |
| Fire                   | 94.2         | 105.2        | 106.2        | 111.2        | 129.2        | 147.2        | 166.2        | 167.2        | 167.2        | 167.7        |
| Libraries              | 26.0         | 29.0         | 29.0         | 28.0         | 30.1         | 31.1         | 31.1         | 38.7         | 37.7         | 35.3         |
| Development            | 67.6         | 74.1         | 81.6         | 81.1         | 95.1         | 109.1        | 114.6        | 112.6        | 105.1        | 97.6         |
| Parks and Recreation   | 45.5         | 57.0         | 62.0         | 64.0         | 74.5         | 81.5         | 83.5         | 84.5         | 81.5         | 84.0         |
| Public Works           | 37.3         | 36.3         | 38.8         | 43.8         | 56.3         | 57.8         | 67.0         | 60.7         | 61.7         | 61.7         |
| Water/Wastewater       | 54.0         | 57.0         | 58.0         | 62.0         | 64.0         | 69.0         | 77.3         | 79.7         | 77.7         | 74.7         |
| Surface Water Drainage | -            | -            | 1.0          | 1.0          | -            | -            | -            | 11.0         | 11.0         | 11.0         |
| Solid Waste            | 5.0          | 6.0          | 5.5          | 5.5          | 3.5          | 4.0          | 9.0          | 10.0         | 12.0         | 12.0         |
| <b>Total</b>           | <u>486.1</u> | <u>539.1</u> | <u>567.6</u> | <u>601.1</u> | <u>680.7</u> | <u>753.2</u> | <u>829.2</u> | <u>857.9</u> | <u>866.4</u> | <u>854.0</u> |

Source: City Budget Book

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

| <u>Function/Program</u>                               | <u>Fiscal Year</u> |               |               |
|---|--------------------|---------------|---------------|
|   | <u>2002</u>        | <u>2003</u>   | <u>2004</u>   |
| Police  |                    |               |               |
| Number of police officers                             | 95                 | 104           | 113           |
| Number of violations (citations) <sup>a</sup>         | 10,241             | 11,714        | 16,412        |
| Fire  |                    |               |               |
| Number of fire fighters                               | 88                 | 94            | 94            |
| Number of fire suppression runs                       | 2,156              | 2,177         | 2,200         |
| Number of EMS runs                                    | 3,762              | 3,731         | 4,056         |
| Development Services                                  |                    |               |               |
| Construction permits issued <sup>b</sup>              | 7,212              | 8,875         | 8,875         |
| Estimated valuation <sup>b</sup>                      | \$698,592,555      | \$507,567,356 | \$507,567,356 |
| Public Works  |                    |               |               |
| Streets paved (miles)                                 | 11                 | 11            | 9             |
| Street signs repaired/installed                       | 1,098              | 1,200         | 712           |
| Parks and Recreation                                  |                    |               |               |
| Park land and municipal acreage maintained            | 770                | 948           | 960           |
| Rounds of golf  | 33,121             | 32,383        | 36,164        |
| Library   |                    |               |               |
| Volumes in collection <sup>c</sup>                    | 72,838             | 80,379        | 100,894       |
| Annual circulation                                    | 364,000            | 423,600       | 509,341       |
| Water and Wastewater                                  |                    |               |               |
| Number of water customers                             | 22,716             | 25,923        | 29,073        |
| Average daily water consumption (millions of gallons) | 16.1               | 17.7          | 17.6          |
| Maximum storage capacity (million of gallons)         | 14.5               | 14.0          | 14.0          |
| Solid Waste   |                    |               |               |
| Recyclables collected (tons)                          | 3,048              | 3,400         | 3,951         |
| Solid waste collected (tons)                          | 90,861             | 113,900       | 102,657       |

**Source:** City Departments

<sup>a</sup>Basis for issued citation reconciliation adjusted in FY11

<sup>b</sup>Includes residential, commercial, and miscellaneous (e.g. pools, fences) permits.

<sup>c</sup>Includes books and media.

**TABLE 17**

| <b>Fiscal Year</b> |               |               |               |               |               |                     |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| <u>2005</u>        | <u>2006</u>   | <u>2007</u>   | <u>2008</u>   | <u>2009</u>   | <u>2010</u>   | <u>2011</u>         |
| 124                | 136           | 149           | 158           | 161           | 161           | 161                 |
| 15,367             | 23,779        | 22,413        | 27,804        | 30,623        | 33,729        | 18,754 <sup>a</sup> |
| 94                 | 130           | 149           | 150           | 151           | 151           | 151                 |
| 2,300              | 2,550         | 2,750         | 2,950         | 3,109         | 3,239         | 3,598               |
| 4,400              | 4,923         | 5,500         | 6,100         | 6,800         | 7,100         | 6,180               |
| 8,945              | 11,296        | 6,970         | 5,539         | 4,154         | 3,816         | 4,316               |
| \$713,222,782      | \$785,799,209 | \$601,907,826 | \$480,774,997 | \$772,318,950 | \$533,916,212 | \$469,799,412       |
| 10                 | 8             | 8             | 8             | 9             | 9             | 11                  |
| 1,200              | 1,872         | 1,876         | 2,000         | 2,500         | 2,500         | 1,671               |
| 1,000              | 1,100         | 1,144         | 1,566         | 1,566         | 1,566         | 1,708               |
| 36,592             | 37,500        | 35,000        | 35,878        | 36,000        | 35,000        | 33,064              |
| 112,612            | 123,828       | 136,054       | 149,406       | 177,800       | 210,000       | 219,704             |
| 600,147            | 627,664       | 630,000       | 652,675       | 660,000       | 900,000       | 1,095,739           |
| 31,723             | 34,901        | 38,200        | 39,590        | 40,498        | 41,853        | 42,946              |
| 18.2               | 23.5          | 19.3          | 23.2          | 23.0          | 22.7          | 28.5                |
| 20.0               | 22.0          | 42.0          | 42.0          | 44.0          | 44.0          | 44.0                |
| 4,543              | 10,534        | 15,120        | 17,145        | 17,670        | 13,438        | 16,350              |
| 113,251            | 119,995       | 123,150       | 129,310       | 135,026       | 120,978       | 114,937             |

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

**TABLE 18**

| Function/Program                   | Fiscal Year |       |       |       |       |       |       |       |       |       |
|------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                    | 2002        | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  |
| <b>Police</b>                      |             |       |       |       |       |       |       |       |       |       |
| Stations                           | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Patrol Units <sup>a</sup>          | 39          | 41    | 50    | 45    | 51    | 67    | 64    | 55    | 38    | 63    |
| Motorcycle Units                   | 3           | 3     | 3     | 8     | 7     | 8     | 11    | 9     | 8     | 8     |
| Skywatch Towers                    | -           | -     | -     | -     | -     | -     | -     | -     | 1     | 2     |
| <b>Fire</b>                        |             |       |       |       |       |       |       |       |       |       |
| Stations                           | 4           | 5     | 5     | 5     | 5     | 6     | 6     | 7     | 8     | 8     |
| <b>Public Works</b>                |             |       |       |       |       |       |       |       |       |       |
| Streets-Paved (miles)              | 396.5       | 453.0 | 453.0 | 453.0 | 594.0 | 623.0 | 625.0 | 625.0 | 706.0 | 723.0 |
| Streets-Graded (miles)             | 39.0        | 39.0  | 39.0  | 39.0  | 39.0  | 39.0  | 39.0  | 39.0  | 16.0  | 16.0  |
| Streets-Unimproved (miles)         | 14.0        | 14.0  | 14.0  | 14.0  | 14.0  | 14.0  | 14.0  | 14.0  | 14.0  | 14.0  |
| Alleys (miles)                     | 47.7        | 163.0 | 163.0 | 163.0 | 80.0  | 80.0  | 80.0  | 80.0  | 78.0  | 78.0  |
| Street lights (Including US 75)    | 3,562       | 3,750 | 4,038 | 4,200 | 4,612 | 4,662 | 4,760 | 4,760 | 4,760 | 5,901 |
| <b>Parks and Recreation</b>        |             |       |       |       |       |       |       |       |       |       |
| Park Acreage                       | 975         | 1,000 | 1,047 | 1,200 | 1,303 | 1,674 | 1,862 | 2,025 | 2,025 | 2,025 |
| Public Parks                       | 20          | 25    | 28    | 28    | 31    | 32    | 34    | 36    | 36    | 36    |
| Municipal Golf Course              | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     |
| Community / Recreation Centers     | 1           | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Public Swimming Pools              | 1           | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Baseball/Softball Diamonds         | 22          | 22    | 22    | 27    | 27    | 27    | 27    | 27    | 27    | 27    |
| Tennis Courts                      | 1           | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Soccer Fields (regulation size)    | 9           | 9     | 9     | 22    | 22    | 22    | 22    | 22    | 22    | 22    |
| Disc Golf Course                   | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 1     | 2     |
| Ice Rink                           | -           | -     | -     | -     | 0     | 0     | 0     | 0     | 1     | 1     |
| Library                            | 1           | 1     | 1     | 1     | 1     | 1     | 1     | 2     | 2     | 2     |
| <b>Water and Wastewater</b>        |             |       |       |       |       |       |       |       |       |       |
| Storage capacity (million gallons) | 14.5        | 14.0  | 14.0  | 20.0  | 22.0  | 42.0  | 42.0  | 44.0  | 44.0  | 44.0  |
| Water Mains (miles)                | 355.0       | 382.0 | 405.0 | 534.0 | 624.0 | 680.0 | 737.0 | 765.0 | 770.0 | 787.0 |
| Fire Hydrants                      | 3,207       | 4,020 | 4,621 | 4,879 | 5,525 | 6,100 | 6,529 | 7,388 | 6,688 | 7,007 |
| Storm Sewer (miles)                | 154.0       | 154.0 | 154.0 | 203.0 | 203.0 | 213.0 | 257.0 | 257.0 | 257.0 | 266.0 |
| Sanitary Sewers (miles)            | 320.0       | 347.0 | 347.0 | 459.0 | 502.0 | 520.0 | 582.0 | 605.0 | 610.0 | 630.0 |
| <b>Airport</b>                     |             |       |       |       |       |       |       |       |       |       |
| Dedicated airport property (acres) | 583         | 581   | 581   | 581   | 661   | 661   | 661   | 661   | 745   | 745   |
| Runway length (ft)                 | 7,001       | 7,001 | 7,001 | 7,001 | 7,001 | 7,001 | 7,001 | 7,001 | 7,001 | 7,001 |

**Source:** City Departments

**Note:**

- a Police vehicle quantities vary due to all marked cars or just patrol units counted.
- b City owned, privately operated
- 2011 per Police Dept, marked cars