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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2013**

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**AS PREPARED BY  
FINANCIAL SERVICES**



**City of McKinney  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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# **INTRODUCTORY SECTION**

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**CITY OF MCKINNEY  
Finance Department**

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McKinney, Texas 75069  
(972) 547-7530  
(972) 547-2611 Fax  
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March 4, 2014

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, 2013, is hereby submitted in accordance with Section 46 of the City Charter.

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

Weaver and Tidwell, LLP, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of McKinney financial statements for the year ended September 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

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

## **CITY OF MCKINNEY PROFILE**

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 63.8 square miles and serves a population of over 140,000. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

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

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

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

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. 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), Collin County Airport Development Corporation (CCADC), 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. Between 1990 and 2010, McKinney residents had a 171% increase in median income. This was the highest growth rate during that period among U.S. cities with populations of 50,000 or more.

MSN Real Estate deemed McKinney the No. 2 Most Popular Neighborhood in the country for 2013. In the August 2012 issue of Money Magazine, McKinney ranked No. 2 on the annual "Best Places to Live in America" list. McKinney was also named one of the 100 Best Communities for Young People in 2012, a distinction given annually by the America's Promise Alliance. In addition, McKinney, Texas, has made an appearance in many recent rankings, including safest cities in the state and country, fastest growing cities in the country, and best places to raise a family.

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

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 165-year old city center continues to serve as a thriving retail, dining, entertainment and business destination. The town square offers over 120 unique businesses within the commercial historic district, including a charming hotel and quaint bed and breakfast destinations nestled between eateries, specialty shops, apparel boutiques, art galleries and entertainment options.

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

## **LONG-TERM FINANCIAL PLANNING**

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

The five-year capital improvement plan outlines various facilities improvements including a Municipal Government Center, Gateway Hotel & Convention Center, and an Aquatic Center. The plan also outlines various roadway and water/sewer improvements including Downtown Infrastructure, Virginia Parkway, FM543, Ridge Road Elevated Storage Tank, and the Bloomdale Ground 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, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

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

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

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1<sup>st</sup> each year. A proposed budget is 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's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

## **MAJOR INITIATIVES**

For Fiscal Year 2012-13, major project initiatives for the City of McKinney included Bonnie Wenk Park, Skatepark, Hardin Elevated Storage Tank, FM 543 Connector and US 75 construction by TxDOT.

The major project initiatives planned for fiscal year 2013-14 are Airport Facilities Acquisition, Gateway Hotel & Convention Center, Aquatic Facility, 10MG Storage Tank, and Right-of-Way Acquisitions for FM 546 and Wilmeth Road.

### **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, 2012. This was the twenty-ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2012. This is the twenty-ninth consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

In addition, McKinney earned the Platinum Scenic City Certification from the Scenic City Certification Program of Scenic Texas. McKinney is the first city to receive the Platinum designation on the first application, and we are one of only six cities to earn a new designation in 2013. The entire program lists 42 total cities in Texas, and just 5 cities that have earned the Platinum level of the award. The certification is good for five years (2013-2018).

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. In addition, I would personally like to extend thanks to all of the Financial Services staff for their efforts over the last year. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,



Rodney D. Rhoades  
Chief Financial Officer



Government Finance Officers Association

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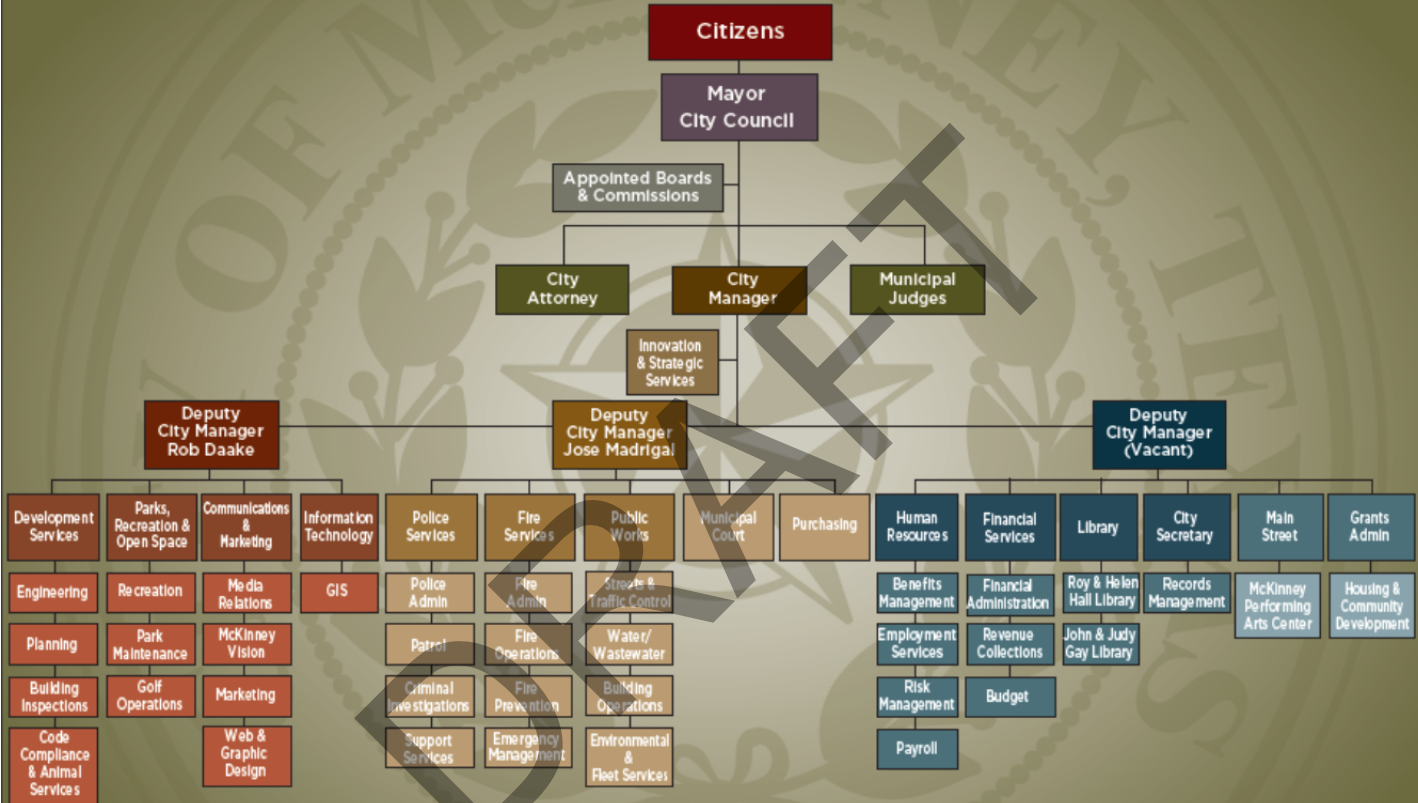
**September 30, 2012**

Executive Director/CEO



# CITY OF MCKINNEY ORGANIZATION FY 2012-2013

## CITY OF MCKINNEY ORGANIZATIONAL CHART



# CITY OF MCKINNEY, TEXAS CITY OFFICIALS

## CITY COUNCIL

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

## CITY MANAGER

Jason Gray

## DEPUTY CITY MANAGERS

Rob Daake  
Jose Madrigal

## CHIEF FINANCIAL OFFICER

Rodney Rhoades



# **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of McKinney, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013 and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 5 through 14) and the schedules of funding progress for the Texas Municipal Retirement System and Other Postemployment Benefits (on pages 75 and 76) be presented to supplement the basic financial statements. Such information although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with the management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 27, 2014

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## 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, 2013. 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, 2013 by \$729 million (Net Position). Of this amount, \$513 million (70%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$97 million (13%). The remaining \$119 million (17%) are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net position increased by \$35 million. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by \$6 million.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$134 million, an increase of \$13 million in comparison to the prior year. Approximately \$48.1 million, or 36%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, \$0.5 million is non-spendable for inventory and prepaid items and \$0.3 million is for notes from component units. \$2.2 million is restricted for debt service, \$79.3 million is for street construction and other capital projects, and fund balance of \$2 million in the special revenue funds contains grant and other spending restrictions. \$1.9 million has been assigned for OPEB and the remaining \$48.1 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 54% of total general fund expenditures. This represents 29% more than the fund balance policy requirement.
- On a government-wide basis, the City's total liabilities decreased by \$9 million (3%) during the current fiscal year. The key factor in this decrease was a reduction in bonds payable and accounts payable.
- Standard and Poor's Corporation upgraded the City's general obligation bond rating to AAA.

### II OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains eighteen 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 fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, and special revenue funds. 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 18-24.



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

The City of McKinney maintains 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 25-28.

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

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-74.

**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 77-116 of this report.

### III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets exceeded liabilities by \$729 million as of September 30, 2013.

By far the largest portion of the City's net position, \$513 million (70%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position (\$97million, or 13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$119 million, or 17%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>
Current and other assets	\$ 151	\$ 138	\$ 98	\$ 95	\$ 249	\$ 233
Capital assets	475	475	303	293	778	768
<b>Total Assets</b>	<b>626</b>	<b>613</b>	<b>401</b>	<b>388</b>	<b>1,027</b>	<b>1,001</b>
Long-term liabilities outstanding	200	203	66	70	266	273
Other liabilities	22	23	10	11	32	34
<b>Total Liabilities</b>	<b>222</b>	<b>226</b>	<b>76</b>	<b>81</b>	<b>298</b>	<b>307</b>
<b>Net Position</b>						
Net investment in capital assets	280	275	233	218	513	493
Restricted	83	65	14	10	97	75
Unrestricted	41	47	78	79	119	126
<b>Total Net Position</b>	<b>\$ 404</b>	<b>\$ 387</b>	<b>\$ 325</b>	<b>\$ 307</b>	<b>\$ 729</b>	<b>\$ 694</b>

The City of McKinney's net position increased by \$35 million during the current fiscal year, an increase in governmental net position of \$17 million and an increase in business-type activities of \$18 million. Details are listed in the table below.

	<b>Changes in Net Position</b> (in Thousands)					
	<b>Governmental</b>		<b>Business Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Activities</b>	
	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 15,474	\$ 15,918	\$ 65,722	\$ 63,477	\$ 81,196	\$ 79,395
Operating grants and contributions	2,459	2,344	-	-	2,459	2,344
Capital grants and contributions	27,496	20,326	14,745	10,798	42,241	31,124
General revenues:						
Property taxes	65,708	64,194	-	-	65,708	64,194
Sales taxes	20,364	18,393	-	-	20,364	18,393
Franchise taxes	12,759	12,052	-	-	12,759	12,052
Investment income	334	846	662	924	996	1,770
Other revenues	2,594	619	60	22	2,654	641
<b>Total revenues</b>	<b>147,188</b>	<b>134,692</b>	<b>81,189</b>	<b>75,221</b>	<b>228,377</b>	<b>209,913</b>
<b>Expenses:</b>						
General government	20,555	21,828	-	-	20,555	21,828
Police	23,340	21,843	-	-	23,340	21,843
Fire	21,433	19,637	-	-	21,433	19,637
Libraries	3,276	3,259	-	-	3,276	3,259
Development	9,107	8,523	-	-	9,107	8,523
Parks and recreation	10,370	9,696	-	-	10,370	9,696
Public works	35,112	33,200	-	-	35,112	33,200
Interest on long-term debt	8,913	9,514	-	-	8,913	9,514
Airport	614	565	-	-	614	565
Water/Wastewater	-	-	52,003	47,778	52,003	47,778
Solid Waste	-	-	6,486	6,572	6,486	6,572
Golf Course	-	-	352	220	352	220
Surface Water Drainage	-	-	1,661	1,552	1,661	1,552
<b>Total expenses</b>	<b>132,720</b>	<b>128,065</b>	<b>60,502</b>	<b>56,122</b>	<b>193,222</b>	<b>184,187</b>
<b>Increase (decrease) in net position before transfers</b>	<b>14,468</b>	<b>6,627</b>	<b>20,687</b>	<b>19,099</b>	<b>35,155</b>	<b>25,726</b>
<b>Transfers</b>	<b>2,854</b>	<b>2,798</b>	<b>(2,854)</b>	<b>(2,798)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>17,322</b>	<b>9,425</b>	<b>17,833</b>	<b>16,301</b>	<b>35,155</b>	<b>25,726</b>
<b>Net Position - Beginning, as restated</b>	<b>386,908</b>	<b>377,483</b>	<b>306,963</b>	<b>290,661</b>	<b>693,871</b>	<b>668,144</b>
<b>Net Position - Ending</b>	<b>\$ 404,230</b>	<b>\$ 386,908</b>	<b>\$ 324,796</b>	<b>\$ 306,962</b>	<b>\$ 729,026</b>	<b>\$ 693,870</b>

**Governmental activities.**

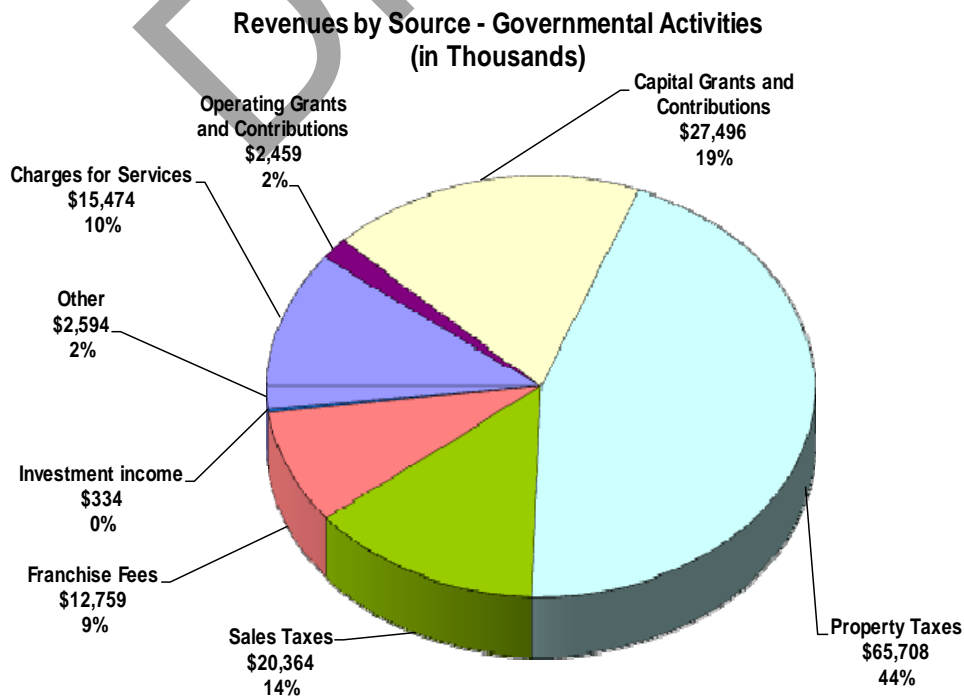
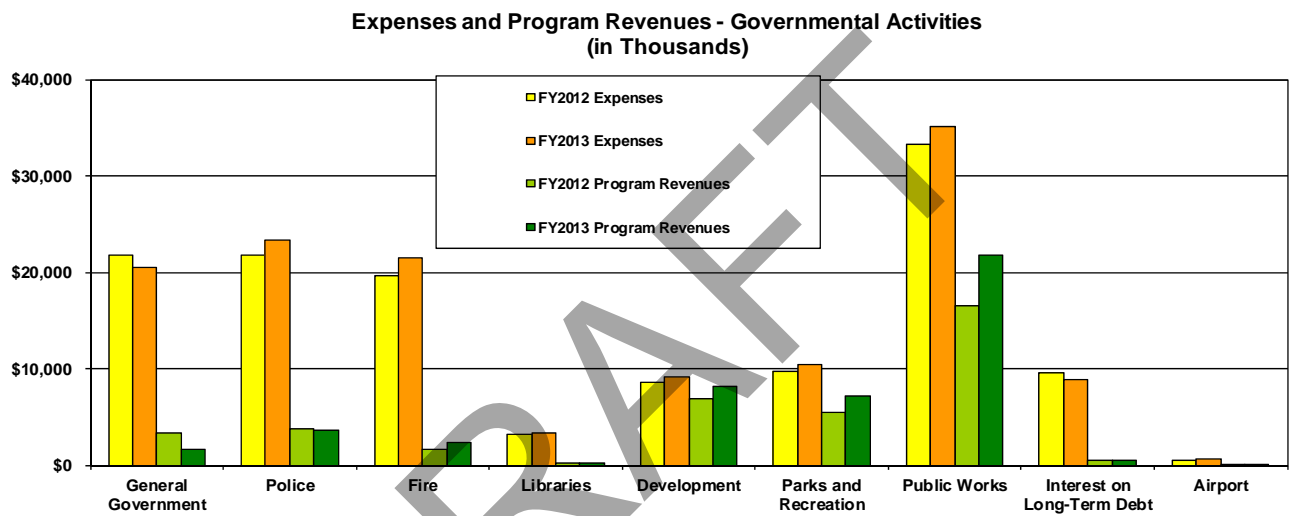
Governmental activities increased the City's net position by \$17 million during the current fiscal year. The key elements of this increase are as follows:

**Revenues**

- Capital grants and contributions totaled \$27.5 million, an increase of \$7.2 million.
- Total revenues increased 9.3% over FY 2012.

**Expenses**

- Total expenses increased 3% due to budgeted additions to personnel and salary increases.



**Business-type activities.**

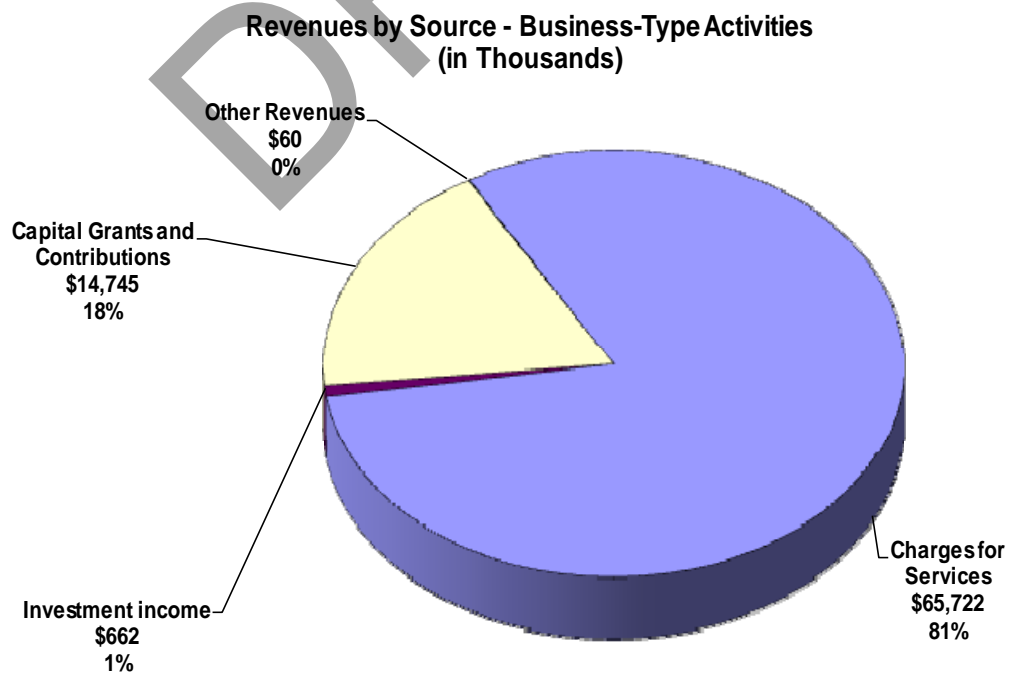
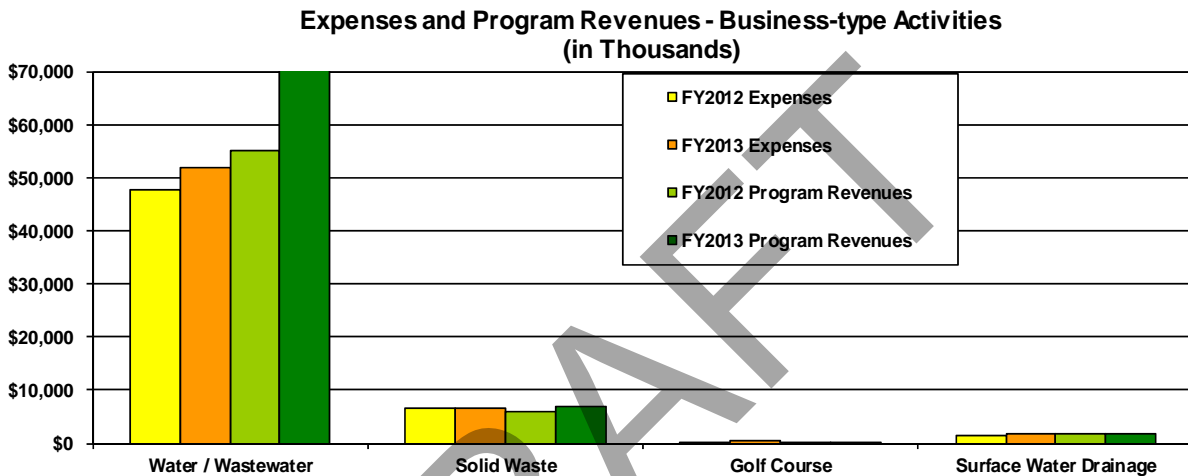
Business-type activities increased the City of McKinney’s net position by \$18 million, accounting for the majority of the increase in the government’s net position. Key elements of this increase are as follows:

**Revenues**

- Capital grants and contributions totaled \$14.7 million, an increase of \$3.9 million.
- Charges for services increased \$2.2 Million as a result of 2.5% increase to water/wastewater rates.

**Expenses**

- Expenses in water/wastewater increased \$4.2 million mainly due to the increase in charges on water purchases and sewer service charges from North Texas Municipal Water District.



## 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 \$134 million, an increase of \$13.1 million or (11%) in comparison to the prior year. Approximately \$48.1 million or 36% 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 40 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 \$48.1 million, while total fund balance was \$50.8 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 54% of total general fund expenditures.

The general fund balance increased by \$0.4 million or 1% during the current fiscal year. A key factor for this increase was greater than anticipated License and Permits Fees of \$.9 million due to a rise in construction valuations of building permits.

**Debt Service Fund.** The debt service fund had a total fund balance of \$2.2 million and was restricted for the payment of debt. There was a net increase of \$0.5 million in fund balance during the current year. The increase in the debt service fund balance was within the budget plan.

**Street Construction Fund.** The Street Construction Fund is the largest governmental capital project fund. It has an ending fund balance of \$33.1 million. Total expenditures for the current year were \$6.0 million. The large fund balance indicated many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include: Downtown Infrastructure Phase II, FM543 Connector Phase I, and West Street-Bonner to Erwin St.

**Facilities Improvement Fund.** The Facilities Improvement Fund is a non-major governmental capital project fund. It had an ending fund balance of \$19.2 million. Total expenditures for the current year were \$0.5 million. Major expenditures incurred during the current year were primarily related to the Gateway Hotel and Event Center

### Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2013, net position of the proprietary funds included the following amounts of unrestricted net position:

**Water and Wastewater Fund.** Water and Wastewater Fund net position increased by \$17.6 million. Operating revenues totaled \$56.8 million, an increase of \$2.1 million or 3.9%. Operating expenses in the Water and Wastewater Fund were \$48.7 million, an increase of \$4.2 million or 9.5% 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 position increased by \$0.3 million. Operating revenues totaled \$6.9 million, an increase of \$0.1 million. Expenses were at \$6.5 million, a decrease of \$0.09 million.

**Golf Course Fund.** The Golf Course Fund had an operating loss of about \$0.2 million. Revenues were about \$0.1 million which was the contract fee. Expense was primarily maintenance and depreciation totaling \$0.3 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 \$1.88 million to \$1.90 million.

### General Fund Budgetary Highlights

The actual FY2012-13 expenditures were \$90 million, \$7.3 million less than the projected \$97.2 million. This is attributed to a strict adherence to spending policies and closer monitoring of end-of-year budget projections.

Actual revenues were \$94.5 million, an increase of \$0.8 million over the \$93.7 million budget plan. The primary contributing factor was greater than anticipated construction valuations for permit fees, despite a decline in the number of permits issued.

## 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 decrease (including additions and deductions) of \$10 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 2013	FY 2012	FY 2013	FY 2012	FY 2013	FY 2012
Land	\$ 24,665	\$ 19,744	\$ 10,191	\$ 6,888	\$ 34,856	\$ 26,632
Buildings	79,086	76,181	8,972	9,301	88,058	85,482
Infrastructure	324,660	321,216	264,983	249,427	589,643	570,643
Machinery and equipment	18,849	19,123	3,344	3,134	22,193	22,257
Construction in progress	27,474	39,172	15,646	23,938	43,120	63,110
<b>Total</b>	<b>\$ 474,734</b>	<b>\$ 475,436</b>	<b>\$ 303,136</b>	<b>\$ 292,688</b>	<b>\$ 777,870</b>	<b>\$ 768,124</b>

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

<u>Project</u>	<u>(\$ in Thousands)</u>
Hardin Elevated Storage Tank	3,358
Bonnie Wenk Park	2,770
Skatepark	1,557
Gabe Nesbitt Community Park Phase VI	1,536
Downtown Infrastructure	1,431
Land Acquisition	1,371
FM 543 Connector Phase I	1,304

Additional information about the City's capital assets is presented in Note (3)D to the financial statements at page 47-48.

**Long-term Debt.** At year end, the City had \$268 million in general obligation bonds and certificates of obligation and revenue bonds. The total debt was \$280 million at the end of the prior fiscal year. This represents a decrease of 4%. All outstanding debt is summarized below:

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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2012</b>
General obligation bonds and certificates of obligations (backed by the City)	\$198,605	\$205,675	\$ -	\$ -	\$198,605	\$205,675
Revenue bonds (backed by fee revenues)	-	-	68,980	74,040	68,980	74,040
Totals	<u>\$198,605</u>	<u>\$205,675</u>	<u>\$68,980</u>	<u>\$74,040</u>	<u>\$267,585</u>	<u>\$279,715</u>

In 2013 the City's general obligation bonds were upgraded to a AAA rating and the revenue bonds were re-confirmed at AA+ by Standard and Poor's Corporation. Bond ratings from Moody's Investor Services also remained the same at Aa1 for general obligation bonds and Aa2 for water works revenue bonds.

Additional information on the long-term debt can be found in 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 2014 budget, tax rates, and fees that will be charged for the business-type activities.

The property tax rate for fiscal year 2014 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 2013, the unassigned general fund balance increased \$1.9 million to \$48.1 million. The use of available fund balance is intended for one-time operational or capital expenses.

For fiscal year 2013, the water rate and wastewater rates increased 2.5%. The water volume rate is \$3.25 per thousand gallons for all commercial customers and residential, sprinkler/irrigation customers with consumption of up to 20,000 gallons, \$4.06 per thousand gallons if monthly consumption exceeds 20,000 gallons, and \$4.87 per thousand gallons if monthly consumption is over 40,000 gallons. Wastewater rate per thousand gallons of water used is \$3.32. 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 Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.



**BASIC FINANCIAL  
STATEMENTS**

DRAFT



**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 119,825,919	\$ 26,529,799	\$ 146,355,718	\$ 41,269,713
Investments	18,799,423	5,556,283	24,355,706	-
Receivables (net of allowance for uncollectibles)	10,560,570	9,960,710	20,521,280	3,459,972
Internal balances	407,632	(407,632)	-	-
Due from other governments	450,970	2,340,796	2,791,766	143,443
Note receivable from component unit	287,500	5,177,500	5,465,000	-
Inventory	210,392	259,951	470,343	-
Prepaid items	312,311	500	312,811	187,321
Deferred charges	875,837	551,579	1,427,416	116,998
Restricted assets:				
Cash and cash equivalents	-	30,555,287	30,555,287	8,249,114
Investments	-	17,330,645	17,330,645	-
Accrued interest receivable	-	132,660	132,660	-
Capital assets:				
Non depreciable	52,139,467	25,837,105	77,976,572	47,657,395
Depreciable (net)	422,595,234	277,299,128	699,894,362	54,543,865
<b>Total Assets</b>	<b>626,465,255</b>	<b>401,124,311</b>	<b>1,027,589,566</b>	<b>155,627,821</b>
<b>LIABILITIES</b>				
Accounts payable	3,462,985	2,204,531	5,667,516	421,709
Other accrued liabilities	5,456,509	1,222,797	6,679,306	29,057
Unearned Revenue	74,514	-	74,514	-
Accrued interest payable	1,085,320	120,074	1,205,394	63,383
Deposits	547,388	2,162,978	2,710,366	22,714
Non Current Liabilities:				
Due within one year:				
Note payable to primary government	-	-	-	1,465,000
Compensated absences	1,033,085	81,234	1,114,319	19,674
Bonds payable	10,810,000	4,565,000	15,375,000	945,000
Due in more than one year:				
Note payable to primary government	-	-	-	4,000,000
Compensated absences	6,524,232	513,018	7,037,250	124,254
Premium on issuance	4,808,541	1,200,466	6,009,007	-
Deferred refunding amount	(189,915)	(157,000)	(346,915)	-
OPEB liability	827,135	-	827,135	-
Bonds payable	187,795,000	64,415,000	252,210,000	13,695,000
<b>Total Liabilities</b>	<b>222,234,794</b>	<b>76,328,098</b>	<b>298,562,892</b>	<b>20,785,791</b>
<b>NET POSITION</b>				
Net investment in capital assets	279,952,868	233,112,767	513,065,635	86,413,787
Restricted for:				
Use of impact fees	6,700,810	8,806,302	15,507,112	-
Highways and streets	26,406,329	-	26,406,329	-
Debt service	1,285,455	5,528,516	6,813,971	1,589,076
Other capital projects	46,153,392	-	46,153,392	-
Public Safety	803,777	-	803,777	-
Community development	513,456	-	513,456	-
Library	242,609	-	242,609	-
Cultural and recreation	16,109	-	16,109	-
Grants	425,968	-	425,968	-
Unrestricted	41,729,688	77,348,628	119,078,316	46,839,167
<b>Total Net Position</b>	<b>\$ 404,230,461</b>	<b>\$ 324,796,213</b>	<b>\$ 729,026,674</b>	<b>\$ 134,842,030</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, 2013**

Function/Program Activities	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental Activities:			
General government	\$ 20,555,978	\$ 1,492,078	\$ 99,370
Police	23,340,362	2,797,246	822,228
Fire	21,432,874	2,187,476	139,998
Libraries	3,276,383	109,709	98,679
Development	9,107,096	7,296,819	845,131
Parks and recreation	10,370,483	1,054,194	453,979
Public works	35,111,875	-	-
Interest on long-term debt	8,912,771	528,000	-
Airport	613,513	8,325	-
<b>Total governmental activities</b>	<b>132,721,335</b>	<b>15,473,847</b>	<b>2,459,385</b>
Business-type activities:			
Water/wastewater	52,003,461	56,832,659	-
Solid waste	6,486,035	6,874,406	-
Golf course	351,556	116,227	-
Surface water drainage	1,660,597	1,898,269	-
<b>Total business-type activities</b>	<b>60,501,649</b>	<b>65,721,561</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 193,222,984</b>	<b>\$ 81,195,408</b>	<b>\$ 2,459,385</b>
<b>Component units:</b>			
Governmental Activities:			
McKinney Economic Development Corp	\$ 6,915,059	\$ 3,076	\$ -
McKinney Community Development Corp	6,983,746	2,010	-
McKinney Convention & Visitors Bureau	438,135	-	459,370
<b>Total governmental activities</b>	<b>14,336,940</b>	<b>5,086</b>	<b>459,370</b>
Business-type activities:			
Collin County Airport Development Corp	2,369,978	487,099	664,287
<b>Total component units</b>	<b>\$ 16,706,918</b>	<b>\$ 492,185</b>	<b>\$ 1,123,657</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 position  
Net position - beginning, as restated  
Net position - ending

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

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>				
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ -	\$ (18,964,530)	\$ -	\$ (18,964,530)	\$ -
-	(19,720,888)	-	(19,720,888)	-
-	(19,105,400)	-	(19,105,400)	-
-	(3,067,995)	-	(3,067,995)	-
-	(965,146)	-	(965,146)	-
5,690,938	(3,171,372)	-	(3,171,372)	-
21,804,963	(13,306,912)	-	(13,306,912)	-
-	(8,384,771)	-	(8,384,771)	-
-	(605,188)	-	(605,188)	-
27,495,901	(87,292,202)	-	(87,292,202)	-
14,745,211	-	19,574,409	19,574,409	-
-	-	388,371	388,371	-
-	-	(235,329)	(235,329)	-
-	-	237,672	237,672	-
14,745,211	-	19,965,123	19,965,123	-
\$ 42,241,112	(87,292,202)	19,965,123	(67,327,079)	-
\$ -	-	-	-	(6,911,983)
-	-	-	-	(6,981,736)
-	-	-	-	21,235
-	-	-	-	(13,872,484)
6,324,065	-	-	-	5,105,473
\$ 6,324,065	\$ -	\$ -	\$ -	\$ (8,767,011)
	\$ 65,707,908	\$ -	\$ 65,707,908	\$ -
	20,364,397	-	20,364,397	19,401,317
	12,759,298	-	12,759,298	-
	334,465	662,230	996,695	57,817
	-	60,150	60,150	-
	2,593,617	-	2,593,617	4,812
	2,854,211	(2,854,211)	-	-
	104,613,896	(2,131,831)	102,482,065	19,463,946
	17,321,694	17,833,292	35,154,986	10,696,935
	386,908,767	306,962,921	693,871,688	124,145,095
	\$ 404,230,461	\$ 324,796,213	\$ 729,026,674	\$ 134,842,030

**CITY OF MCKINNEY, TEXAS  
BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40,989,016	\$ 2,128,289
Investments	8,310,084	-
Receivables (net of allowance for uncollectibles):		
Delinquent property taxes	599,290	259,978
Accounts	2,958,304	-
Other taxes and fees	6,286,022	-
Accrued interest	61,514	-
Due from other funds	567,632	99,639
Due from other governments	48,502	-
Note receivable from component unit	287,500	-
Inventory	210,392	-
Prepaid items	295,637	500
<b>Total Assets</b>	<u>\$ 60,613,893</u>	<u>\$ 2,488,406</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 1,471,908	\$ -
Other accrued liabilities	3,292,203	-
Deposits	547,388	-
Due to other funds	-	-
Deferred revenue:		
Delinquent property taxes	572,406	248,352
Accounts	2,937,476	-
Other taxes	999,258	-
<b>Total liabilities</b>	<u>9,820,639</u>	<u>248,352</u>
<b>FUND BALANCES:</b>		
NONSPENDABLE:		
Inventory	210,392	-
Prepaid items	295,637	-
Note receivable from component unit	287,500	-
RESTRICTED:		
Debt service	-	2,240,054
Street construction	-	-
Other capital projects funds	-	-
Law enforcement	-	-
Fire	-	-
Library	-	-
Community housing	-	-
Veterans Memorial Park	-	-
Hotel/Motel	-	-
Grants	-	-
ASSIGNED:		
OPEB	1,855,500	-
UNASSIGNED	48,144,225	-
<b>Total fund balances</b>	<u>50,793,254</u>	<u>2,240,054</u>
<b>Total liabilities and fund balances</b>	<u>\$ 60,613,893</u>	<u>\$ 2,488,406</u>

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

<u>Street Construction</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 28,079,457	\$ 45,285,688	\$ 116,482,450
7,539,139	2,950,200	18,799,423
-	-	859,268
-	14,626	2,972,930
-	287,315	6,573,337
10,418	7,838	79,770
-	-	667,271
-	402,468	450,970
-	-	287,500
-	-	210,392
-	16,174	312,311
<u>\$ 35,629,014</u>	<u>\$ 48,964,309</u>	<u>\$ 147,695,622</u>
\$ 685,296	\$ 189,688	\$ 2,346,892
1,736,940	427,366	5,456,509
-	-	547,388
99,639	160,000	259,639
-	-	820,758
-	15,770	2,953,246
-	-	999,258
<u>2,521,875</u>	<u>792,824</u>	<u>13,383,690</u>
-	-	210,392
-	16,174	311,811
-	-	287,500
-	-	2,240,054
33,107,139	-	33,107,139
-	46,153,392	46,153,392
-	768,113	768,113
-	35,664	35,664
-	242,609	242,609
-	90,025	90,025
-	16,109	16,109
-	513,456	513,456
-	335,943	335,943
-	-	1,855,500
-	-	48,144,225
<u>33,107,139</u>	<u>48,171,485</u>	<u>134,311,932</u>
<u>\$ 35,629,014</u>	<u>\$ 48,964,309</u>	<u>\$ 147,695,622</u>



**MCKINNEY**<sup>TM</sup>

**T E X A S**

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



**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

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Total fund balance-governmental funds.	\$ 134,311,932
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.	875,837
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	804,657,669
Accumulated depreciation has not been included in the governmental fund financial statements.	(329,922,968)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(7,557,317)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(198,605,000)
Internal service funds are used by management to charge the cost of certain activities such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	2,302,641
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.	189,915
OPEB liability has not been included in the governmental fund financial statements.	(827,135)
Premiums on issuance of debt are recognized as other financing sources in the governmental fund financial statements, but are recognized over the life of the bonds at the government-wide level.	(4,808,541)
Revenue reported as deferred revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	4,698,748
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>(1,085,320)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 404,230,461</u></u></b>

*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, 2013**

	<u>General</u>	<u>Debt Service</u>
<b>REVENUES</b>		
Property taxes	\$ 46,695,836	\$ 19,440,253
Sales and use taxes	18,950,423	-
Franchise fees	12,725,594	-
Licenses and permits	8,154,941	-
Intergovernmental	495,157	-
Charges for services	4,421,222	528,000
Fines and forfeitures	2,103,791	-
Investment income	188,068	12,668
Contributions	527,230	-
Miscellaneous	223,050	-
<b>Total Revenues</b>	<u>94,485,312</u>	<u>19,980,921</u>
<b>EXPENDITURES</b>		
Current:		
General government	18,299,251	-
Police	21,765,728	-
Fire	19,274,778	-
Libraries	2,781,380	-
Development	7,295,266	-
Parks and recreation	7,464,644	-
Public works	10,251,516	-
Airport	613,513	-
Debt Service:		
Principal retirement	-	10,755,000
Interest and fiscal charges	-	8,823,139
Capital Expenditures:		
General government	57,903	-
Police	1,140,684	-
Fire	899,700	-
Development	8,364	-
Parks and recreation	83,791	-
Public works	28,122	-
<b>Total expenditures</b>	<u>89,964,640</u>	<u>19,578,139</u>
Excess (deficiency) of revenues over expenditures	<u>4,520,672</u>	<u>402,782</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of long-term debt	-	18,815,000
Deposit to bond refunding escrow account	-	(21,716,799)
Premium on issuance of debt	-	3,019,430
Proceeds from sale of property	51,301	-
Transfers in	2,801,696	-
Transfers out	(6,941,994)	-
<b>Total other financing sources (uses)</b>	<u>(4,088,997)</u>	<u>117,631</u>
Net change in fund balances	431,675	520,413
Fund balances, beginning of year	50,361,579	1,719,641
Fund balances, end of year	<u>\$ 50,793,254</u>	<u>\$ 2,240,054</u>

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

Street Construction	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 116,842	\$ 66,252,931
-	1,385,545	20,335,968
-	-	12,725,594
-	-	8,154,941
3,690,855	1,646,471	5,832,483
-	8,325	4,957,547
-	395,721	2,499,512
93,084	36,243	330,063
3,928,491	5,574,705	10,030,426
-	59,873	282,923
<u>7,712,430</u>	<u>9,223,725</u>	<u>131,402,388</u>
-	1,037,079	19,336,330
-	270,823	22,036,551
-	134,375	19,409,153
-	45,071	2,826,451
-	1,455,041	8,750,307
-	39,517	7,504,161
615,922	230,136	11,097,574
-	-	613,513
-	-	10,755,000
-	-	8,823,139
-	313,717	371,620
-	399,087	1,539,771
-	44,082	943,782
-	175,926	184,290
-	7,794,324	7,878,115
5,335,700	17,813	5,381,635
<u>5,951,622</u>	<u>11,956,991</u>	<u>127,451,392</u>
<u>1,760,808</u>	<u>(2,733,266)</u>	<u>3,950,996</u>
-	6,110,000	24,925,000
-	-	(21,716,799)
-	-	3,019,430
-	10,676	61,977
-	7,064,644	9,866,340
-	(70,135)	(7,012,129)
-	13,115,185	9,143,819
1,760,808	10,381,919	13,094,815
31,346,331	37,789,566	121,217,117
<u>\$ 33,107,139</u>	<u>\$ 48,171,485</u>	<u>\$ 134,311,932</u>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances- total governmental funds.	\$ 13,094,815
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 2013 capital outlays is to increase net position.	16,280,022
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(31,721,986)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	10,755,000
Current year bond proceeds are other financing sources in the governmental funds financial statements, but are shown as an increase in liabilities in the government-wide financial statements.	(24,925,000)
Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	21,716,799
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.	(430,790)
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.	49,773
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(1,108,316)
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.	(246,526)
Premium and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements.	(2,442,619)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The net income of the internal service fund is allocated entirely to governmental activities.	2,302,641
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(665,300)
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.	14,149,089
Amortization of deferred refunding amounts is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net position.	(78,405)
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.	592,497
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 17,321,694</b>

*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, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Property taxes	\$ 45,889,634	\$ 46,577,801	\$ 46,695,836	\$ 118,035
Sales and use taxes	16,114,000	18,980,000	18,950,423	(29,577)
Franchise fees	12,908,483	12,957,483	12,725,594	(231,889)
Licenses and permits	5,627,372	7,349,845	8,154,941	805,096
Intergovernmental	352,901	519,901	495,157	(24,744)
Charges for services	3,834,719	4,385,154	4,421,222	36,068
Fines and forfeitures	2,118,000	1,811,530	2,103,791	292,261
Investment income	302,777	245,023	188,068	(56,955)
Contributions	485,679	539,857	527,230	(12,627)
Miscellaneous	284,700	310,700	223,050	(87,650)
<b>Total revenues</b>	<u>87,918,265</u>	<u>93,677,294</u>	<u>94,485,312</u>	<u>808,018</u>
<b>EXPENDITURES</b>				
General government	18,228,761	24,230,333	18,357,154	5,873,179
Police	22,715,018	22,491,444	22,906,412	(414,968)
Fire	19,447,948	20,910,254	20,174,478	735,776
Libraries	2,993,145	2,833,415	2,781,380	52,035
Development	7,491,932	8,046,655	7,303,630	743,025
Parks and recreation	7,884,375	7,615,981	7,548,435	67,546
Public works	10,146,590	10,498,841	10,279,638	219,203
Airport	613,513	613,513	613,513	-
<b>Total expenditures</b>	<u>89,521,282</u>	<u>97,240,436</u>	<u>89,964,640</u>	<u>7,275,796</u>
Excess (deficiency) of revenues over expenditures	<u>(1,603,017)</u>	<u>(3,563,142)</u>	<u>4,520,672</u>	<u>8,083,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	50,000	50,000	51,301	1,301
Transfers in	2,786,696	2,786,696	2,801,696	15,000
Transfers out	(1,095,864)	(7,046,815)	(6,941,994)	104,821
<b>Total other financing sources (uses)</b>	<u>1,740,832</u>	<u>(4,210,119)</u>	<u>(4,088,997)</u>	<u>121,122</u>
Net change in fund balances	137,815	(7,773,261)	431,675	8,204,936
Fund balances, beginning of year	50,361,579	50,361,579	50,361,579	-
Fund balances, end of year	<u>\$ 50,499,394</u>	<u>\$ 42,588,318</u>	<u>\$ 50,793,254</u>	<u>\$ 8,204,936</u>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Other</b>			<b>Activities</b>
	<b>Water and Wastewater</b>	<b>Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 19,039,507	\$ 7,490,292	\$ 26,529,799	\$ 3,343,469
Investments	5,002,327	553,956	5,556,283	-
Restricted assets:				
Cash and cash equivalents	30,545,287	10,000	30,555,287	-
Receivables (net of allowance for uncollectibles)	8,363,561	1,595,161	9,958,722	75,265
Accrued interest receivable	-	1,988	1,988	-
Due from other funds	9,501	-	9,501	-
Notes receivable- interfund	-	924,440	924,440	-
Notes receivable- component unit	-	5,177,500	5,177,500	-
Due from other governments	2,340,796	-	2,340,796	-
Inventory	259,951	-	259,951	-
Prepaid items	500	-	500	-
<b>Total current assets</b>	<b>65,561,430</b>	<b>15,753,337</b>	<b>81,314,767</b>	<b>3,418,734</b>
Non-current assets:				
Restricted assets:				
Investments	17,330,645	-	17,330,645	-
Accrued interest receivable	132,660	-	132,660	-
<b>Total restricted assets</b>	<b>17,463,305</b>	<b>-</b>	<b>17,463,305</b>	<b>-</b>
Deferred charges	551,579	-	551,579	-
Capital assets:				
Land	9,624,342	566,509	10,190,851	-
Buildings	12,063,555	1,663,564	13,727,119	-
Improvements other than buildings	329,515,417	3,158,498	332,673,915	-
Machinery and equipment	6,850,493	946,669	7,797,162	-
Construction in progress	15,646,254	-	15,646,254	-
Less accumulated depreciation	(73,548,143)	(3,350,925)	(76,899,068)	-
<b>Total capital assets (net of accumulated depreciation)</b>	<b>300,151,918</b>	<b>2,984,315</b>	<b>303,136,233</b>	<b>-</b>
<b>Total non-current assets</b>	<b>318,166,802</b>	<b>2,984,315</b>	<b>321,151,117</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 383,728,232</b>	<b>\$ 18,737,652</b>	<b>\$ 402,465,884</b>	<b>\$ 3,418,734</b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Wastewater</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 2,002,955	\$ 62,470	\$ 2,065,425	\$ 1,116,093
Other accrued liabilities	256,956	640,699	897,655	-
Due to other funds	382,099	35,034	417,133	-
Note payable- interfund	-	47,122	47,122	-
Compensated absences	63,554	17,680	81,234	-
Accrued interest payable	120,074	-	120,074	-
<b>Total current liabilities unrestricted</b>	<b>2,825,638</b>	<b>803,005</b>	<b>3,628,643</b>	<b>1,116,093</b>
Liabilities (payable from restricted assets):				
Accounts payable	139,106	-	139,106	-
Revenue bonds payable, current	4,565,000	-	4,565,000	-
Other accrued liabilities	325,142	-	325,142	-
Deposits	2,152,978	10,000	2,162,978	-
<b>Total current liabilities (payable from restricted assets)</b>	<b>7,182,226</b>	<b>10,000</b>	<b>7,192,226</b>	<b>-</b>
<b>Total current liabilities</b>	<b>10,007,864</b>	<b>813,005</b>	<b>10,820,869</b>	<b>1,116,093</b>
Non-current liabilities:				
Compensated absences	401,363	111,655	513,018	-
Note payable- interfund	-	877,318	877,318	-
Revenue bonds, certificates of obligation payable	64,415,000	-	64,415,000	-
Deferred refunding amount	(157,000)	-	(157,000)	-
Premium on bonds	1,200,466	-	1,200,466	-
<b>Total noncurrent liabilities</b>	<b>65,859,829</b>	<b>988,973</b>	<b>66,848,802</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>75,867,693</b>	<b>1,801,978</b>	<b>77,669,671</b>	<b>1,116,093</b>
<b>NET POSITION</b>				
Net investment in capital assets	230,128,452	2,984,315	233,112,767	-
Restricted for:				
Use of impact fees	8,806,302	-	8,806,302	-
Debt service	5,528,516	-	5,528,516	-
Unrestricted	63,397,269	13,951,359	77,348,628	2,302,641
<b>TOTAL NET POSITION</b>	<b>\$ 307,860,539</b>	<b>\$ 16,935,674</b>	<b>\$ 324,796,213</b>	<b>\$ 2,302,641</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 POSITION PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-type Activities - Enterprise Funds			Governmental
	Water and Wastewater	Other	Total	Activities
		Enterprise Funds		Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 56,749,642	\$ 8,755,194	\$ 65,504,836	\$ 15,302,126
Miscellaneous	83,017	133,708	216,725	-
<b>Total operating revenues</b>	<b>56,832,659</b>	<b>8,888,902</b>	<b>65,721,561</b>	<b>15,302,126</b>
<b>OPERATING EXPENSES</b>				
Personnel services	5,558,326	1,709,749	7,268,075	88,658
Materials and supplies	626,244	89,201	715,445	-
Maintenance	466,806	409,801	876,607	-
Purchase of water	29,075,993	-	29,075,993	-
Contract payments	3,321,223	5,856,581	9,177,804	-
Utilities	980,626	8,073	988,699	-
Depreciation	7,306,763	244,058	7,550,821	-
Other	1,331,518	180,725	1,512,243	12,915,229
<b>Total operating expenses</b>	<b>48,667,499</b>	<b>8,498,188</b>	<b>57,165,687</b>	<b>13,003,887</b>
Operating income	8,165,160	390,714	8,555,874	2,298,239
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	376,120	286,110	662,230	4,402
Interest and fiscal charges	(3,292,148)	-	(3,292,148)	-
Amortization of deferred refunding amount	(43,814)	-	(43,814)	-
Gain from disposal of assets	60,150	-	60,150	-
<b>Total non-operating revenues (expenses)</b>	<b>(2,899,692)</b>	<b>286,110</b>	<b>(2,613,582)</b>	<b>4,402</b>
Income before contributions and transfers	5,265,468	676,824	5,942,292	2,302,641
Contributions	14,745,211	-	14,745,211	-
Transfers out	(2,372,675)	(481,536)	(2,854,211)	-
Change in net position	17,638,004	195,288	17,833,292	2,302,641
<b>Total net position-beginning</b>	<b>290,222,535</b>	<b>16,740,386</b>	<b>306,962,921</b>	<b>-</b>
<b>Total net position-ending</b>	<b>\$ 307,860,539</b>	<b>\$ 16,935,674</b>	<b>\$ 324,796,213</b>	<b>\$ 2,302,641</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, 2013**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Wastewater	Other Enterprise Funds	Total	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 58,887,036	\$ 9,003,569	\$ 67,890,605	\$ 15,226,861
Other operating revenues	83,017	133,708	216,725	-
Cash payments to employees for services	(5,507,722)	(1,679,709)	(7,187,431)	(88,658)
Cash payments to suppliers for goods and services	(36,163,274)	(6,564,035)	(42,727,309)	(11,799,136)
<b>Net cash provided by operating activities</b>	<u>17,299,057</u>	<u>893,533</u>	<u>18,192,590</u>	<u>3,339,067</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(2,372,675)	(481,536)	(2,854,211)	-
<b>Cash used in noncapital financing activities</b>	<u>(2,372,675)</u>	<u>(481,536)</u>	<u>(2,854,211)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on bonds	(13,055,000)	-	(13,055,000)	-
Bond proceeds	7,995,000	-	7,995,000	-
Premium on issuance	896,913	-	896,913	-
Principal paid on loans	-	(46,313)	(46,313)	-
Proceeds from advances	-	46,313	46,313	-
Debt issuance costs	(85,716)	-	(85,716)	-
Interest and fiscal charges on debt	(3,229,697)	-	(3,229,697)	-
Acquisition and construction of capital assets	(6,909,835)	(106,739)	(7,016,574)	-
Proceeds from sale of assets	60,150	-	60,150	-
Capital grants	96,330	-	96,330	-
Contributions	3,666,952	-	3,666,952	-
<b>Cash used in capital and related financing activities</b>	<u>(10,564,903)</u>	<u>(106,739)</u>	<u>(10,671,642)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(15,544,000)	(23,957)	(15,567,957)	-
Proceeds from sale and maturities of securities	7,760,293	-	7,760,293	-
Investment earnings	2,159,281	286,111	2,445,392	4,402
<b>Cash provided by (used in) investing activities</b>	<u>(5,624,426)</u>	<u>262,154</u>	<u>(5,362,272)</u>	<u>4,402</u>
Net increase (decrease) in cash	(1,262,947)	567,412	(695,535)	3,343,469
Cash and cash equivalents at beginning of year	50,847,741	6,932,880	57,780,621	-
Cash and cash equivalents at end of year	<u>\$ 49,584,794</u>	<u>\$ 7,500,292</u>	<u>\$ 57,085,086</u>	<u>\$ 3,343,469</u>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>				
Unrestricted cash and cash equivalents	\$ 19,039,507	\$ 7,490,292	\$ 26,529,799	\$ 3,343,469
Restricted cash and cash equivalents	30,545,287	10,000	30,555,287	-
	<u>\$ 49,584,794</u>	<u>\$ 7,500,292</u>	<u>\$ 57,085,086</u>	<u>\$ 3,343,469</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 8,165,160	\$ 390,714	\$ 8,555,874	\$ 2,298,239
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	7,306,763	244,058	7,550,821	-
Provision for bad debt	225,715	63,689	289,404	-
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	1,817,697	184,686	2,002,383	(75,265)
Due from other funds	1,406	-	1,406	-
Inventory	(21,852)	-	(21,852)	-
Prepaid expense	(500)	3,238	2,738	-
Increase (decrease) in liabilities:				
Accounts payable	(178,239)	(76,610)	(254,849)	1,116,093
Accrued liabilities	(391,963)	63,129	(328,834)	-
Due to other funds	236,305	(38)	236,267	-
Liability for accrued vacation	45,989	20,667	66,656	-
Deposits	92,576	-	92,576	-
Total adjustments	<u>9,133,897</u>	<u>502,819</u>	<u>9,636,716</u>	<u>1,040,828</u>
<b>Net cash provided by operating activities</b>	<u>\$ 17,299,057</u>	<u>\$ 893,533</u>	<u>\$ 18,192,590</u>	<u>\$ 3,339,067</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Non-cash change in fair value of assets	\$ 1,914,367	\$ -	\$ 1,914,367	\$ -

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, 2013**

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	<u>Agency Fund</u>
	<u>BB Owen Park</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,968,378
<b>Total assets</b>	<u>\$ 10,968,378</u>
<b>LIABILITIES</b>	
Other accrued liabilities	\$ 10,968,378
<b>Total liabilities</b>	<u>\$ 10,968,378</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 POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2013**

	Governmental Activities			Business-Type Activities	Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	Collin County Airport Dev. Corporation	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,909,807	\$ 29,196,042	\$ 362,430	\$ 801,434	\$ 41,269,713
Receivables (net of allowance for uncollectibles)	1,718,768	1,715,348	287	25,569	3,459,972
Due from other governments	-	-	-	143,443	143,443
Prepaid items	173,641	4,852	8,128	700	187,321
Deferred charges	116,998	-	-	-	116,998
Restricted assets:					
Cash and cash equivalents	1,589,076	-	-	6,660,038	8,249,114
Capital assets:					
Non depreciable	23,327,476	4,970,062	-	19,359,857	47,657,395
Depreciable (net)	74,423	2,563,372	-	51,906,070	54,543,865
<b>Total Assets</b>	<b>37,910,189</b>	<b>38,449,676</b>	<b>370,845</b>	<b>78,897,111</b>	<b>155,627,821</b>
<b>LIABILITIES</b>					
Accounts payable	68,177	259,287	10,224	84,021	421,709
Other accrued liabilities	11,752	4,361	4,411	8,533	29,057
Accrued interest payable	63,383	-	-	-	63,383
Deposits	-	-	-	22,714	22,714
Non Current Liabilities:					
Due within one year:					
Note payable to primary government	1,465,000	-	-	-	1,465,000
Compensated absences	6,058	2,516	3,675	7,425	19,674
Bonds payable	945,000	-	-	-	945,000
Due in more than one year:					
Note payable to primary government	4,000,000	-	-	-	4,000,000
Compensated absences	38,257	15,892	23,216	46,889	124,254
Bonds payable	13,695,000	-	-	-	13,695,000
<b>Total Liabilities</b>	<b>20,292,627</b>	<b>282,056</b>	<b>41,526</b>	<b>169,582</b>	<b>20,785,791</b>
<b>NET POSITION</b>					
Net investment in capital assets	7,614,426	7,533,434	-	71,265,927	86,413,787
Restricted for:					
Debt service	1,589,076	-	-	-	1,589,076
Unrestricted	8,414,060	30,634,186	329,319	7,461,602	46,839,167
<b>Total Net Position</b>	<b>\$ 17,617,562</b>	<b>\$ 38,167,620</b>	<b>\$ 329,319</b>	<b>\$ 78,727,529</b>	<b>\$ 134,842,030</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 POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
McKinney Economic Development Corp	\$ 6,915,059	\$ 3,076	\$ -
McKinney Community Development Corp	6,983,746	2,010	-
McKinney Convention & Visitors Bureau	438,135	-	459,370
<b>Total governmental activities</b>	<b>14,336,940</b>	<b>5,086</b>	<b>459,370</b>
<b>Business-type activities:</b>			
Collin County Airport Development Corp	2,369,978	487,099	664,287
<b>Total business-type activities</b>			
<b>Total component units</b>	<b>\$ 16,706,918</b>	<b>\$ 492,185</b>	<b>\$ 1,123,657</b>

General revenues:

Sales taxes  
Investment income  
Miscellaneous

Total general revenues

Change in net position

Net position - beginning as restated

Net position - ending

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

Capital Grants and Contributions	Component Units				Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	Collin County Airport Dev. Corporation	
\$ -	\$ (6,911,983)	\$ -	\$ -	\$ -	\$ (6,911,983)
-	-	(6,981,736)	-	-	(6,981,736)
-	-	-	21,235	-	21,235
-	(6,911,983)	(6,981,736)	21,235	-	(13,872,484)
6,324,065	-	-	-	5,105,473	5,105,473
<u>\$ 6,324,065</u>	<u>\$ (6,911,983)</u>	<u>\$ (6,981,736)</u>	<u>\$ 21,235</u>	<u>\$ 5,105,473</u>	<u>\$ (8,767,011)</u>
	\$ 9,700,659	\$ 9,700,658	\$ -	\$ -	\$ 19,401,317
	17,699	34,356	399	5,363	57,817
	-	-	1,711	3,101	4,812
	9,718,358	9,735,014	2,110	8,464	19,463,946
	2,806,375	2,753,278	23,345	5,113,937	10,696,935
	14,811,187	35,414,342	305,974	73,613,592	124,145,095
	<u>\$ 17,617,562</u>	<u>\$ 38,167,620</u>	<u>\$ 329,319</u>	<u>\$ 78,727,529</u>	<u>\$ 134,842,030</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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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, 2013.

**A. Financial Statement Presentation**

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

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

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, 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**  
**YEAR ENDED SEPTEMBER 30, 2013**

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The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund. For more information about the MEDC, refer to Note 11 at page 61.

The McKinney Community Development Corporation (MCDC) is also a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council, and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund. For more information about the MCDC, refer to Note 12 at page 66.

The Collin County Airport Development Corporation (CCADC), formerly the McKinney Airport Development Corporation (MADC), is a discretely presented component unit in the basic financial statements. In May 2012, a resolution was passed to rename the discretely presented component unit to the Collin County Airport Development Corporation. The governing body of the CCADC is appointed by the City Council and the CCADC's operating and capital budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the CCADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. The CCADC operating budget is financed by contributions from the City's General Fund and charges for services, while the capital is financed primarily by Federal Aviation Administration grants passed through the Texas Department of Transportation Aviation Division, City backed general obligation and certificates of obligations bonds and sales tax funds awarded by the McKinney Economic Development Corporation for economic development. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The CCADC has a September 30 year-end. Under a contract with the CCADC, the City performs financial services for the CCADC. There are no separately issued financial statements of the CCADC, which is reported as a proprietary fund. For more information about the CCADC, refer to Note 13 at page 69.

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

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2013**

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There are no separately issued financial statements of the MCVB. For more information about the MCVB, refer to Note 14 at page 72.

**C. Government-Wide and Fund Financial Statements**

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

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

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

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

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  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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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.

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 from taxes levied by the City.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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- 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 position.

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

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

**3. Agency fund:**

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

**E. Cash and Cash Equivalents**

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

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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

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

**F. Inventories, 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, 2013, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances are recorded as an expenditure when consumed rather than when purchased.

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.

**CITY OF MCKINNEY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2013**

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

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

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

**I. Capital Assets**

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

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

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 2013, 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 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees and 240 hours for fire shift personnel, both with 5 years of consecutive service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**K. Long-term Obligations**

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

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

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

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

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

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

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.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

**(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Data**

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

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

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

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2013, the total amendments to the original adopted budgeted amounts resulted in a \$7,719,154 increase in budgeted General Fund expenditures.

Budgets for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP.

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

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

**B. Excess of Expenditures over Appropriations**

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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

**A. CASH AND INVESTMENTS**

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 146,355,718
Investments	24,355,706
Restricted cash and cash equivalents	30,555,287
Restricted investments	17,330,645
	<hr/>
Total cash and investments	\$ 218,597,356
	<hr/>
Cash on hand	\$ 9,441
Deposits with financial institution excluding certificates of deposit	35,521,080
Investments	183,066,835
	<hr/>
Total cash and investments	\$ 218,597,356
	<hr/>

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	5 years	80%	None
U.S. 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.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**Disclosures relating to interest rate risk**

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

As of September 30, 2013, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
Certificates of Deposit	\$ 20,405,851	751 days
TexPool	43,010,893	56 days
TexPool Prime	22,555,859	49 days
LOGIC	32,703,902	55 days
Texas Daily	15,693,630	49 days
Texas CLASS	27,416,199	34 days
Federal Agency Securities	15,232,747	1028 days
Municipal Securities	6,047,754	830 days
	<u>\$ 183,066,835</u>	

**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 Legal Rating	Rating as of Year End
Certificates of Deposit	\$ 20,405,851	AAA/AAA-m	AAA-m
TexPool	43,010,893	AAA/AAA-m	AAA-m
TexPool Prime	22,555,859	AAA/AAA-m	AAA-m
LOGIC	32,703,902	AAA/AAA-m	AAA-m
Texas Daily	15,693,630	AAA/AAA-m	AAA-m
Texas CLASS	27,416,199	AAA/AAA-m	AAA-m
Federal Agency Securities	15,232,747	AAA	AAA
Municipal Securities	6,047,754	A	A
	<u>\$ 183,066,835</u>		



**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, 2013, investments other than external investment pools that represent 5% or more of the City's investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FNMA	Federal agency securities	\$ 10,277,702

**Custodial credit risk**

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

As of September 30, 2013, 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 position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City 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 position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

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

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

**B. PROPERTY TAXES**

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

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2013 were 99.69% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2013 and the preceding year are as follows (amounts per \$100 assessed value):

	2013	2012
General Fund	\$ 0.41220	\$ 0.40506
Debt Service	0.17330	0.18044
	<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.

**CITY OF MCKINNEY, TEXAS**  
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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 2013 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	General	Debt Service	Street Construction	Non-Major Governmental Funds	Total
Receivables					
Interest	\$ 61,514	\$ -	\$ 10,418	\$ 7,838	\$ 79,770
Taxes	6,885,312	259,978	-	287,315	7,432,605
Accounts	5,161,980	-	-	14,626	5,176,606
Gross receivables	12,108,806	259,978	10,418	309,779	12,688,981
Less: allowance	(2,203,676)	-	-	-	(2,203,676)
Net total receivables	<u>\$ 9,905,130</u>	<u>\$ 259,978</u>	<u>\$ 10,418</u>	<u>\$ 309,779</u>	<u>\$ 10,485,305</u>

Business-Type Activities	Water Wastewater	Other Enterprise Funds	Total
Receivables			
Customer accounts	\$ 9,470,340	\$ 1,527,543	\$ 10,997,883
Other	-	278,724	278,724
Gross receivables	9,470,340	1,806,267	11,276,607
Less: allowance	(1,106,779)	(211,106)	(1,317,885)
Receivables, net	<u>\$ 8,363,561</u>	<u>\$ 1,595,161</u>	<u>\$ 9,958,722</u>
Accrued interest receivable	<u>\$ 132,660</u>	<u>\$ 1,988</u>	<u>\$ 134,648</u>

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2013. The water and wastewater fund also reported restricted interest receivable at year-end of \$132,660.

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, 2013 is \$100,000 in the general fund.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2013, the balance of this note is \$187,500 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 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2013 is \$4,000,000.

**D. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 19,743,547	\$ 240,974	\$ -	\$ 4,680,502	\$ 24,665,023
Construction in progress	39,171,974	14,055,954	-	(25,753,484)	27,474,444
Total capital assets, not being depreciated	58,915,521	14,296,928	-	(21,072,982)	52,139,467
Capital assets being depreciated:					
Buildings	99,175,126	-	-	6,071,467	105,246,593
Infrastructure	567,672,306	13,908,115	-	14,901,454	596,481,875
Machinery & equipment	48,916,544	2,842,341	(1,069,212)	100,061	50,789,734
Total capital assets being depreciated	715,763,976	16,750,456	(1,069,212)	21,072,982	752,518,202
Less accumulated depreciation for:					
Buildings	(22,993,794)	(3,167,088)	-	-	(26,160,882)
Infrastructure	(246,456,630)	(25,365,146)	-	-	(271,821,776)
Machinery and equipment	(29,793,993)	(3,189,752)	1,043,435	-	(31,940,310)
Total accumulated depreciation	(299,244,417)	(31,721,986)	1,043,435	-	(329,922,968)
Total capital assets being depreciated, net	416,519,559	(14,971,530)	(25,777)	21,072,982	422,595,234
Governmental activities capital assets, net	\$ 475,435,080	\$ (674,602)	\$ (25,777)	\$ -	\$ 474,734,701

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 6,888,134	\$ -	\$ -	\$ 3,302,717	\$ 10,190,851
Construction in progress	23,939,038	5,423,191	-	(13,715,975)	15,646,254
Total capital assets, not being depreciated	<u>30,827,172</u>	<u>5,423,191</u>	<u>-</u>	<u>(10,413,258)</u>	<u>25,837,105</u>
Capital assets being depreciated:					
Buildings	13,727,119	-	-	-	13,727,119
Infrastructure	310,411,292	11,915,660	-	10,346,963	332,673,915
Machinery & equipment	7,265,846	659,652	(194,631)	66,295	7,797,162
Total capital assets being depreciated	<u>331,404,257</u>	<u>12,575,312</u>	<u>(194,631)</u>	<u>10,413,258</u>	<u>354,198,196</u>
Less accumulated depreciation for:					
Buildings	(4,426,325)	(328,625)	-	-	(4,754,950)
Infrastructure	(60,984,297)	(6,706,438)	-	-	(67,690,735)
Machinery and equipment	(4,132,256)	(515,758)	194,631	-	(4,453,383)
Total accumulated depreciation	<u>(69,542,878)</u>	<u>(7,550,821)</u>	<u>194,631</u>	<u>-</u>	<u>(76,899,068)</u>
Total capital assets being depreciated, net	<u>261,861,379</u>	<u>5,024,491</u>	<u>-</u>	<u>10,413,258</u>	<u>277,299,128</u>
Business-type activities capital assets, net	<u>\$ 292,688,551</u>	<u>\$ 10,447,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,136,233</u>

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

Governmental Activities:	
General government	\$ 1,888,998
Police	833,224
Fire	1,616,683
Libraries	417,241
Development	240,413
Parks and recreation	2,789,018
Public works	23,936,409
Total depreciation expense governmental activities	<u>\$ 31,721,986</u>
Business-type activities:	
Water and Wastewater	\$ 7,306,763
Solid Waste	56,902
Surface Water Drainage	3,462
Golf Course	183,694
Total depreciation expense business-type activities	<u>\$ 7,550,821</u>

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2013. 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.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	\$ 135,543,072	\$ 27,474,444	\$ 108,068,628
Water and Wastewater	44,504,643	15,646,254	28,858,389
Airport	42,819,495	169,151	42,650,344
Total	\$ 222,867,210	\$ 43,289,849	\$ 179,577,361

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

A summary of interfund receivables and payables balances at September 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	\$ 126,699	Franchise fees
Water/Wastewater Fund	Solid Waste	9,501	Sanitation accrual
Debt Service Fund	Street Construction Fund	99,639	Bond issuance costs
General Fund	Solid Waste	25,533	Sanitation accrual
General Fund	Non-Major Governmental Funds	415,400	To cover cash shortage
	Total	\$ 676,772	

Transfers between funds during the year were as follows:

Transfer Out	Transfer In	Amount
General Fund	Non-Major Governmental Funds	\$ 941,994
General Fund	Facility Improvement Fund	6,000,000
Golf Fund	General Fund	5,000
Surface Water Drainage	General Fund	63,881
Surface Water Drainage	Non-Major Governmental Funds	12,251
Water/Wastewater	General Fund	2,291,373
Water/Wastewater	Non-Major Governmental Funds	81,302
Solid Waste	General Fund	384,812
Solid Waste	Non-Major Governmental Funds	15,592
Non Major Funds	General Fund	56,630
Non-Major Governmental Funds	Non-Major Governmental Funds	13,505
		\$ 9,866,340

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 \$818,815 was made from the general fund to the technology improvement fund to replace various equipment items.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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A transfer of \$6,000,000 was made from the general fund to the facility improvement fund for the Gateway Project.

Transfers of \$2,745,066 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. In March 2011, City Council approved an increase to the existing loan of \$261,000. The balance of the note as of September 30, 2013 is \$924,440. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% 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.

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	Non-Major Governmental Funds	Deferred Revenue	Unearned Revenue
Tax revenue	\$ 572,406	\$ 248,352	\$ -	\$ 820,758	\$ -
Court revenue	2,171,627	-	-	2,171,627	-
EMS revenue	691,335	-	-	691,335	-
Franchise fees	999,258	-	-	999,258	-
Grant revenue	-	-	15,770	15,770	-
Miscellaneous	74,514	-	-	74,514	74,514
	<u>\$4,509,140</u>	<u>\$248,352</u>	<u>\$ 15,770</u>	<u>\$ 4,773,262</u>	<u>\$ 74,514</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

**G. LONG-TERM DEBT**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 140,685,000	\$ 18,815,000	\$ (26,730,000)	\$ 132,770,000	\$ 8,465,000
Certificate of obligation	64,990,000	6,110,000	(5,265,000)	65,835,000	2,345,000
	<u>205,675,000</u>	<u>24,925,000</u>	<u>(31,995,000)</u>	<u>198,605,000</u>	<u>10,810,000</u>
Add deferred amounts:					
For issuance premium	2,365,922	3,019,430	(576,811)	4,808,541	-
For advance refunding	(268,320)	-	78,405	(189,915)	-
Total bonds payable	<u>207,772,602</u>	<u>27,944,430</u>	<u>(32,493,406)</u>	<u>203,223,626</u>	<u>10,810,000</u>
OPEB liability	580,609	415,996	(169,470)	827,135	-
Compensated absences	6,449,000	1,527,130	(418,813)	7,557,317	1,033,085
Governmental activity long-term debt	<u>\$ 214,802,211</u>	<u>\$ 29,887,556</u>	<u>\$ (33,081,689)</u>	<u>\$ 211,608,078</u>	<u>\$ 11,843,085</u>
<b>Business-type activities:</b>					
Bonds payable:					
Water and Wastewater Revenue bonds	\$ 74,040,000	\$ 7,995,000	\$ (13,055,000)	\$ 68,980,000	\$ 4,565,000
	<u>74,040,000</u>	<u>7,995,000</u>	<u>(13,055,000)</u>	<u>68,980,000</u>	<u>4,565,000</u>
Add deferred amounts:					
For issuance premium	424,530	896,913	(120,977)	1,200,466	-
For advance refunding	(200,814)	-	43,814	(157,000)	-
Total bonds payable	<u>74,263,716</u>	<u>8,891,913</u>	<u>(13,132,163)</u>	<u>70,023,466</u>	<u>4,565,000</u>
Compensated absences	527,596	126,951	(60,295)	594,252	81,234
Business-type activity long-term debt	<u>\$ 74,791,312</u>	<u>\$ 9,018,864</u>	<u>\$ (13,192,458)</u>	<u>\$ 70,617,718</u>	<u>\$ 4,646,234</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.

General Obligation Bonds and Certificates of Obligation

The general obligation bonds include \$198,605,000 of serial bonds and certificates of obligation with interest rates ranging from 3.00% to 5.50% maturing annually in varying amounts through 2035. Interest for these bonds is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes.

In April 2013, the City issued \$6,110,000 of Series 2013, Tax and Limited Pledge Hotel Occupancy Tax Revenue Certificates of Obligations Taxable Bonds. The debt was issued to pay the costs of capital project improvements. The obligations are payable over the next 22 years.

In April 2013, the City issued \$18,815,000 of Series 2013, General Obligation Refunding Bonds. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled \$21,950,228. Of these proceeds, \$21,716,799 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

This refunding resulted in a decrease in the City's debt service payments of \$3,950,249, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$3,550,274.



**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Debt service requirements of the general obligation bonds and certificates of obligation for the years subsequent to September 30, 2013 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	
2014	\$ 8,465,000	\$ 5,733,915	\$ 14,198,915	\$ 2,345,000	\$ 2,883,381	\$ 5,228,381	\$ 19,427,296
2015	8,510,000	5,408,571	13,918,571	2,690,000	2,731,076	5,421,076	19,339,647
2016	7,875,000	5,034,496	12,909,496	4,085,000	2,627,201	6,712,201	19,621,697
2017	8,510,000	4,773,715	13,283,715	3,720,000	2,470,411	6,190,411	19,474,126
2018	9,165,000	4,471,940	13,636,940	3,375,000	2,313,135	5,688,135	19,325,075
2019-2023	51,045,000	15,836,390	66,881,390	18,000,000	9,721,938	27,721,938	94,603,328
2024-2028	33,650,000	5,215,556	38,865,556	23,305,000	4,774,463	28,079,463	66,945,019
2029-2033	5,550,000	339,469	5,889,469	7,505,000	732,275	8,237,275	14,126,744
2034-2035	-	-	-	810,000	49,000	859,000	859,000
	<u>\$132,770,000</u>	<u>\$ 46,814,052</u>	<u>\$ 179,584,052</u>	<u>\$ 65,835,000</u>	<u>\$ 28,302,880</u>	<u>\$ 94,137,880</u>	<u>\$ 273,721,932</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, 2013. Remaining revenues may then be used for any lawful purpose.

In April 2013, the City also issued \$7,995,000 of Series 2013, Waterworks and Sewer System Revenue Refunding Bonds. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings.

Net proceeds from the sale of the bonds totaled \$8,945,670. Of these proceeds, \$8,799,004 was placed with an escrow agent to provide for all future debt payments of the refunded bonds.

This refunding resulted in a decrease in the City's debt service payments of \$1,633,005, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of \$1,468,052.

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Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2013, are as follows:

Fiscal Year	Revenue Bonds		
	Principal Requirements	Interest Requirements	Total Requirements
2014	\$ 4,565,000	\$ 2,791,065	\$ 7,356,065
2015	4,625,000	2,610,162	7,235,162
2016	4,685,000	2,424,728	7,109,728
2017	4,750,000	2,235,275	6,985,275
2018	4,815,000	2,045,811	6,860,811
2019-2023	25,180,000	7,270,784	32,450,784
2024-2028	18,655,000	2,058,828	20,713,828
2029-2030	1,705,000	55,066	1,760,066
	<u>\$ 68,980,000</u>	<u>\$ 21,491,719</u>	<u>\$ 90,471,719</u>

**H. RESTRICTED ASSETS**

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

Purpose	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Operating Fund (includes customer deposits)	\$ 2,152,978	\$ -	\$ 2,152,978
Utility Capital Projects Fund	21,148,362	111,732	21,260,094
Utility Development Impact Fee	8,806,302	-	8,806,302
Revenue Debt Service Fund	10,252,988	-	10,252,988
Revenue Bond Reserve Fund	5,515,302	20,928	5,536,230
Golf Course Fund (includes customer deposits)	10,000	-	10,000
	<u>\$ 47,885,932</u>	<u>\$ 132,660</u>	<u>\$ 48,018,592</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, 2013, net position is sufficient to satisfy such bond ordinance requirements.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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 849 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 849 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012, valuations are contained in the 2012 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

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 2012)

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

**CITY OF MCKINNEY, TEXAS**  
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**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, 2012 valuation is effective for the rates beginning January 2014)

**C. Annual Pension Cost**

Contributions by the City were \$7,194,732 or 14.44% of the covered payroll of \$49,808,991 as required by the actuarial valuation. The total fiscal year 2013 payroll was \$50,994,618.

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

<u>Actuarial Information</u>	<u>FY2012-13</u>	<u>FY2011-12</u>	<u>FY2010-11</u>
	<u>12/31/12</u>	<u>12/31/11</u>	<u>12/31/10</u>
	Projected Unit	Projected Unit	Projected Unit
Actuarial cost method	Credit	Credit	Credit
Amortization method	Level %	Level %	Level %
Amortization period	25.2 years-closed period	26.2 years-closed period	27.2 years-closed period
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Assumptions			
Investment return	7.0%	7.0%	7.0%
projected salary increases	varies by age and services	varies by age and services	varies by age and services
Inflation	3.0%	3.0%	3.0%
cost-of-living adjustment	2.1%	2.1%	2.1%
City specific assumptions			
Payroll growth assumption	3.0%	3.0%	3.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid-Low/Mid	Mid-Low/Mid	Mid-Low/Mid
 <u>Schedule of Funding Information</u>	 <u>FY2012-13</u>	 <u>FY2011-12</u>	 <u>FY2010-11</u>
	<u>12/31/12</u>	<u>12/31/11</u>	<u>12/31/10</u>
Actuarial valuation date			
Actuarial Value of Assets	\$ 134,332,842	\$ 119,057,419	\$ 105,262,299
Actuarial Accrued Liability	\$ 169,233,811	\$ 156,549,456	\$ 145,078,402
Unfunded (Over-funded) Actuarial			
Accrued Liability (UAAL)	\$ 34,900,969	\$ 37,492,037	\$ 39,816,103
Funded ratio	79.4%	76.1%	72.6%
Annual Covered Payroll	\$ 47,463,682	\$ 47,490,291	\$ 48,533,150
UAAL as a Percentage of Covered Payroll	73.5%	78.9%	82.0%

**CITY OF MCKINNEY, TEXAS**  
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The City's net pension obligation (NPO) for TMRS at December 31, 2013, 2012, and 2011 is calculated as follows:

	FY2012-13	FY2011-12	FY2010-11
	12/31/12	12/31/11	12/31/10
Actuarial valuation date:			
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution (ARC)	7,194,732	6,412,123	6,331,111
Contributions Made	(7,194,732)	(6,412,123)	(6,331,111)
NPO , end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Supplemental death benefit fund**

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

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net position available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2013, 2012, and 2011, were \$59,771, \$61,011, and \$78,394, 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 and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

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

As of September 30, 2013, membership consisted of:

Retirees and beneficiaries receiving benefits	19
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	<u>758</u>
Total	<u><u>777</u></u>

**B. Benefits Provided**

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

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

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

**C. Accounting Policies**

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

**D. Funding Policy**

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

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

<u>CITYCARE PPO</u>		<u>CITYCARE PLUS PPO</u>	
Single Coverage	\$ 503	Single Coverage	\$ 558
Single + Spouse	\$ 935	Single + Spouse	\$ 1,122
Single + Children	\$ 825	Single + Children	\$ 981
Single + Family	\$ 1,177	Single + Family	\$ 1,403

**CITY OF MCKINNEY, TEXAS**  
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**E. Annual OPEB Cost**

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over an open period of thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2013:

	2013	2012	2011
Annual required contribution	\$ 415,996	\$ 411,782	\$ 411,782
Interest on prior year Net OPEB obligation	26,127	19,287	8,419
Adjustment to annual required contribution	(26,127)	(19,287)	(8,419)
Annual OPEB cost	415,996	411,782	411,782
Contributions made	169,470	259,762	170,276
Increase in net OPEB obligation	246,526	152,020	241,506
Net Obligation - beginning of year	580,609	428,589	187,083
Net Obligation - end of year	<u>\$ 827,135</u>	<u>\$ 580,609</u>	<u>\$ 428,589</u>
Percentage of OPEB costs contributed	40.74%	63.08%	41.35%

**Funded Status and Funding Progress**

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

Actuarial accrued liability	\$ 3,284,588
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 3,284,588</u>
Funded ratio	0.0%
Covered payroll	47,463,682
Unfunded actuarial accrued liability as a percentage of covered payroll	6.92%

Although not considered contributions under GASB 45, the City has assigned \$1,855,500 of fund balance in the General Fund for funding of the OPEB liability.

**F. Actuarial Methods and Assumptions**

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

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

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NOTES TO THE FINANCIAL STATEMENTS  
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**(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, 2013, were \$17,148,225.

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, 2013, was \$11,780,658.

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, 2013, was \$4,569,593.

**(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.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have pledged (guaranteed) to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems. Outstanding principal balances as of September 30, 2013 are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	\$ 1,099,160,000	\$ 119,148,944
Wastewater System	40,720,000	9,410,392
Solid Waste System	302,920,000	64,161,663
Total	\$ 1,442,800,000	\$ 192,720,999

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

**(10) INSURANCE AND RISK MANAGEMENT**

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



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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, 2013, the City and the City's employees' contributions paid under the Plan were \$8,183,313 and \$2,241,827 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 2013, the City contributed \$111,287 for workers' compensation coverage.

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 2013, the City contributed \$366,971 for property and general liability coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, 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.

The changes in the Insurance and Risk Management liability amount in fiscal 2013 and 2012 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year	Due Within One Year
2013:					
Health Claims	\$ 992,131	\$ 10,507,104	\$ (10,802,429)	\$ 696,806	\$ 696,806
Workers' Comp	291,484	746,116	(726,956)	310,644	310,644
Totals	<u>\$ 1,283,615</u>	<u>\$ 11,253,220</u>	<u>\$ (11,529,385)</u>	<u>\$ 1,007,450</u>	<u>\$ 1,007,450</u>
2012:					
Health Claims	\$ 1,000,339	\$ 10,093,065	\$ (10,101,273)	\$ 992,131	\$ 992,131
Workers' Comp	283,573	317,624	(309,713)	291,484	291,484
Totals	<u>\$ 1,283,912</u>	<u>\$ 10,410,689</u>	<u>\$ (10,410,986)</u>	<u>\$ 1,283,615</u>	<u>\$ 1,283,615</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.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

**(11) MCKINNEY ECONOMIC DEVELOPMENT CORPORATION**

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

**A. Deposits and investments**

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 10,909,807
Restricted cash and cash equivalents	<u>1,589,076</u>
Total cash and investments	<u>\$ 12,498,883</u>
Cash on hand	\$ 200
Deposits with financial institution	2,397,063
Investments	<u>10,101,620</u>
Total cash and investments	<u>\$ 12,498,883</u>

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

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

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

**Disclosures relating to interest rate risk**

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

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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MEDC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2013, MEDC had the following investments:

Investment Type	Amount	Weighted Average Maturity
LOGIC	\$ 1,004,785	55 days
TexPool	1,003,438	56 days
TexPool Prime	1,000,882	49 days
Texas Daily	3,505,935	49 days
Texas CLASS	3,586,580	34 days
	\$ 10,101,620	

As of September 30, 2013, 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.

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 Legal Rating	Rating as of Year End
LOGIC	\$ 1,004,785	AAA/AAA-m	AAA-m
TexPool	1,003,438	AAA/AAA-m	AAA-m
TexPool Prime	1,000,882	AAA/AAA-m	AAA-m
Texas Daily	3,505,935	AAA/AAA-m	AAA-m
Texas CLASS	3,586,580	AAA/AAA-m	AAA-m
	\$ 10,101,620		

**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:

**CITY OF MCKINNEY, TEXAS**  
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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, 2013, MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. Receivables**

At September 30, 2013, accounts and notes receivable on the Statement of Net Position represents amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporation's the City has elected to expense the advance at the time of transfer.

At September 30, 2013, accounts receivable include \$1,715,348 representing sales tax owed to MEDC and accrued interest of \$0. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2013.

**C. CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Ending 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	29,795	5,380	-	35,175
Total capital assets being depreciated	313,012	5,380	-	318,392
Less accumulated depreciation for:				
Leasehold improvement	(21,396)	(2,020)	-	(23,416)
Improvements other than buildings	(181,521)	(12,889)	-	(194,410)
Machinery and equipment	(21,035)	(5,108)	-	(26,143)
Total accumulated depreciation	(223,952)	(20,017)	-	(243,969)
Total capital assets, being depreciated, net	89,060	(14,637)	-	74,423
Component unit activities capital assets, net	\$ 23,416,536	\$ (14,637)	\$ -	\$23,401,899

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

**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 and 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**

Component unit activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Sales tax revenue bonds	\$ 15,560,000	\$ -	\$ (920,000)	\$ 14,640,000	\$ 945,000
Note payable to primary government	6,825,000	-	(1,360,000)	5,465,000	1,465,000
Compensated absences	22,401	21,914	-	44,315	6,058
Component unit activities					
Long-term debt	\$ 22,407,401	\$ 21,914	\$ (2,280,000)	\$ 20,149,315	\$ 2,416,058

Bonds Payable consisted of the following as of September 30, 2013:

Bonds Payable:	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
Sales Tax Revenue Bonds 2011	2/1/2011	2.5-5.6%	9/1/2025	\$ 8,575,000
Sales Tax Revenue Bonds, Taxable 2011	2/1/2011	2.5-5.6%	9/1/2025	6,065,000
Total bonds payable				<u>\$ 14,640,000</u>

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, 2013 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
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	605,000	341,765	946,765	450,000	184,962	634,962
2018	635,000	317,565	952,565	470,000	171,462	641,462
2019-2023	3,790,000	1,123,653	4,913,653	2,640,000	594,213	3,234,213
2024-2025	1,880,000	158,690	2,038,690	1,240,000	81,275	1,321,275
	<u>\$ 8,575,000</u>	<u>\$ 3,101,768</u>	<u>\$ 11,676,768</u>	<u>\$ 6,065,000</u>	<u>\$ 1,663,450</u>	<u>\$ 7,728,450</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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

Notes Payable to Primary Government consisted of the following as of September 30, 2013:

<u>Notes Payable (related to):</u>	<u>Amount Outstanding</u>
Certificate of Obligation	\$ 100,000
Taxable 2002 Bonds	1,365,000
Tax Exempt 2002 Bonds	4,000,000
	<u>\$ 5,465,000</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, 2013, are as:

<u>Fiscal Year</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2014	100,000	4,700	104,700
	<u>\$ 100,000</u>	<u>\$ 4,700</u>	<u>\$ 104,700</u>

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

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, 2013 are as:

<u>Fiscal Year</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2014	1,365,000	68,250	1,433,250
	<u>\$ 1,365,000</u>	<u>\$ 68,250</u>	<u>\$ 1,433,250</u>

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2013**

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Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2013 are as:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2014	-	40,000	40,000
2015	784,159	40,000	824,159
2016	792,001	32,158	824,159
2017	799,921	24,238	824,159
2018	807,920	16,239	824,159
2019	815,999	8,160	824,159
	<u>\$ 4,000,000</u>	<u>\$ 160,795</u>	<u>\$ 4,160,795</u>

**(12) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION**

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

**A. DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 29,196,042
Total cash and investments	<u>\$ 29,196,042</u>
Cash on hand	\$ 200
Deposits with financial institution	3,491,687
Investments	25,704,155
Total cash and investments	<u>\$ 29,196,042</u>

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

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

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

**Disclosures relating to interest rate risk**

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

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

As of September 30, 2013, MCDC had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 7,626,841	56 days
TexPool Prime	2,001,531	49 days
LOGIC	3,034,277	55 days
Texas Daily	7,006,381	49 days
Texas CLASS	6,035,125	34 days
	<u>\$ 25,704,155</u>	

As of September 30, 2013, MCDC did not invest in any securities which are highly sensitive to interest rate fluctuations.



**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2013**

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**Disclosures relating to credit risk**

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
TexPool	\$ 7,626,841	AAA/AAA-m	AAA-m
TexPool Prime	2,001,531	AAA/AAA-m	AAA-m
LOGIC	3,034,277	AAA/AAA-m	AAA-m
Texas Daily	7,006,381	AAA/AAA-m	AAA-m
Texas CLASS	6,035,125	AAA	AAA
	<u>\$ 25,704,155</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 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, 2013, MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. RECEIVABLES**

At September 30, 2013, accounts receivable include \$1,715,348 representing sales tax owed to MCDC and accrued interest of \$0. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2013.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**C. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit activities				
Capital Assets, not being depreciated:				
Land	\$ 4,970,062	\$ -	\$ -	\$ 4,970,062
Total capital assets, not being depreciated	<u>4,970,062</u>	<u>-</u>	<u>-</u>	<u>4,970,062</u>
Capital assets, being depreciated:				
Infrastructure	2,823,107	-	-	2,823,107
Total capital assets, being depreciated	<u>2,823,107</u>	<u>-</u>	<u>-</u>	<u>2,823,107</u>
Less accumulated depreciation for:				
Infrastructure	(117,852)	(141,883)	-	(259,735)
Total accumulated depreciation	<u>(117,852)</u>	<u>(141,883)</u>	<u>-</u>	<u>(259,735)</u>
Total capital assets, being depreciated, net	<u>2,705,255</u>	<u>(141,883)</u>	<u>-</u>	<u>2,563,372</u>
Component unit activities, capital assets, net	<u>\$ 7,675,317</u>	<u>\$ (141,883)</u>	<u>\$ -</u>	<u>\$ 7,533,434</u>

**(13) COLLIN COUNTY AIRPORT DEVELOPMENT CORPORATION**

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 61, Collin County Airport Development Corporation (CCADC) is a discretely presented component unit on the combined financial statements. In March 2008, a resolution was passed forming the McKinney Airport Development Corporation, which name was changed in May 2012 to Collin County Airport Development Corporation. The purpose of the CCADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. Under a contract with the CCADC, the City performs financial services for the CCADC.

**A. DEPOSITS AND INVESTMENTS**

Cash and investments as September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 801,434
Restricted cash and cash equivalents	6,660,038
Total cash and investments	<u>\$ 7,461,472</u>
Cash on hand	\$ 200
Deposits with financial institution	2,958,937
Investments	4,502,335
Total cash and investments	<u>\$ 7,461,472</u>

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

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

The Act also requires CCADC to have independent auditors perform test procedures related to investment practices as provided by the Act. The CCADC 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 CCADC manages its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. CCADC monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

As of September 30, 2013, CCADC had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 1,501,483	56 days
LOGIC	3,000,852	55 days
	<u>\$ 4,502,335</u>	

As of September 30, 2013, CCADC 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.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	\$ 1,501,483	AAA/AAA-m	AAA-m
TexPool	3,000,852	AAA/AAA-m	AAA-m
	<u>\$ 4,502,335</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 CCADC'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, 2013, CCADC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. RECEIVABLES**

At September 30, 2013, accounts receivable include \$25,569 for services provided. Receivables as of year-end for CCADC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2013.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2013**

**C. CAPITAL ASSETS**

The Collin County Airport Development Corporation's beginning capital assets were restated in 2013. The restatement adjusted construction in progress to remove assets recorded in error. For more information about the restatement, refer to Note 16 at page 74.

	Beginning Balance	Adjustments	Beginning Balance as Restated	Increases	Decreases	Transfers	Ending Balance
Business-type activities:							
Capital assets not being depreciated:							
Land	\$ 13,851,019	\$ -	\$ 13,851,019	\$ 124,000	\$ -	\$ 5,215,687	\$ 19,190,706
Construction in progress	39,560,672	(2,443,872)	37,116,800	1,297,839	-	(38,245,488)	169,151
Total capital assets, not being depreciated	53,411,691	(2,443,872)	50,967,819	1,421,839	-	(33,029,801)	19,359,857
Capital assets being depreciated:							
Buildings	4,903,404	-	4,903,404	-	-	-	4,903,404
Infrastructure	26,630,683	-	26,630,683	33,706	-	33,029,801	59,694,190
Machinery & equipment	504,162	-	504,162	83,237	(10,723)	-	576,676
Total capital assets being depreciated	32,038,249	-	32,038,249	116,943	(10,723)	33,029,801	65,174,270
Less accumulated depreciation for:							
Buildings	(599,788)	-	(599,788)	(162,818)	-	-	(762,606)
Infrastructure	(10,974,737)	-	(10,974,737)	(1,133,505)	-	-	(12,108,242)
Machinery and equipment	(352,427)	-	(352,427)	(55,648)	10,723	-	(397,352)
Total accumulated depreciation	(11,926,952)	-	(11,926,952)	(1,351,971)	10,723	-	(13,268,200)
Total capital assets being depreciated, net	20,111,297	-	20,111,297	(1,235,028)	-	33,029,801	51,906,070
Business-type activities capital assets, net	\$ 73,522,988	\$ (2,443,872)	\$ 71,079,116	\$ 186,811	\$ -	\$ -	\$ 71,265,927

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

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

**DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 362,430
Total cash and investments	<u>\$ 362,430</u>
Deposits with financial institution	\$ 362,430
Total cash and investments	<u>\$ 362,430</u>

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2013**

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

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

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

**Disclosures relating to interest rate risk**

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

As of September 30, 2013, MCVB had \$0 investments.

**Disclosures relating to credit risk**

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

**Custodial credit risk**

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

**CITY OF MCKINNEY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2013**

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As of September 30, 2013, 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 transactions that occurred after September 30, 2013 and up through February 27, 2014, the date the financial statements were issued.

In November 2013, the management agreement with Collin County Airport Development Corporation (CCADC) was formally rescinded. The board continues to exist as a Council appointed advisory board to the McKinney National Airport, formerly Collin County Regional Airport. The change in the CCADC board's authority may impact future financial reporting and its classification as a discretely presented component unit.

Additionally, in November 2013 the City issued \$12.5 million of Tax & Limited Pledge Certificates of Obligation and a \$5 million one-year tax note to acquire the majority of buildings and structures and the fixed based operations located at McKinney National Airport.

**(16) RESTATEMENT OF BEGINNING NET POSITION**

The Texas Department of Transportation acts as an agent on behalf of the Collin County Airport Development Corporation (CCADC) on all Airport Improvement Program funded projects. As a result of excess capital asset purchases by the Texas Department of Transportation being captured, construction in progress was overstated as of September 30, 2012. The correction of these errors resulted in a \$2,443,872 increase in beginning discretely presented component unit's net position. CCADC's net asset balance has been restated as follows:

	Collin County Airport Dev. Corporation
Net assets, October 1, 2012, as previously presented	\$ 76,057,464
To correct capital asset balances	(2,443,872)
Net assets, October 1, 2012, as restated	<u>\$ 73,613,592</u>



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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



DRAFT

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

Fiscal Year *	(1) Actuarial Value ** Of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded Actuarial Accrued Liability (2)-(1)	(5) Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)
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%
2012	119,057,419	156,549,456	76.1%	37,492,037	47,490,291	78.9%
2013	134,332,842	169,233,811	79.4%	34,900,969	47,463,682	73.5%

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

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

See accompanying independent auditor's report.

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

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

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

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



**MCKINNEY**<sup>TM</sup>

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**CITY OF MCKINNEY, TEXAS  
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)  
DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>REVENUES</b>				
Property taxes	\$ 19,056,037	\$ 19,056,037	\$ 19,440,253	\$ 384,216
Charges for service	528,000	528,000	528,000	-
Investment income	46,632	46,632	12,668	(33,964)
<b>Total revenues</b>	<b>19,630,669</b>	<b>19,630,669</b>	<b>19,980,921</b>	<b>350,252</b>
<b>EXPENDITURES</b>				
Principal retirement	10,525,000	10,755,000	10,755,000	-
Interest and fiscal charges	9,060,651	8,825,823	8,823,139	2,684
<b>Total expenditures</b>	<b>19,585,651</b>	<b>19,580,823</b>	<b>19,578,139</b>	<b>2,684</b>
Excess/(deficiency) of revenues over expenditures	45,018	49,846	402,782	352,936
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	-	-	18,815,000	18,815,000
Deposit to escrow account	-	-	(21,716,799)	(21,716,799)
Premium on issuance of debt	-	-	3,019,430	3,019,430
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>117,631</b>	<b>117,631</b>
Net changes in fund balances	45,018	49,846	520,413	470,567
Fund balances, beginning of year	1,719,641	1,719,641	1,719,641	-
Fund balances, end of year	<b>\$ 1,764,659</b>	<b>\$ 1,769,487</b>	<b>\$ 2,240,054</b>	<b>\$ 470,567</b>

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

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

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

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

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

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

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

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

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



## NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

**CITY OF MCKINNEY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013**

	Special Revenue								
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1	TIRZ 2
<b>ASSETS</b>									
Cash and cash equivalents	\$ 329,132	\$ 861,337	\$ 35,664	\$ 242,804	\$ 194,567	\$ 150,200	\$ 16,109	\$ 1,172,096	\$ 770,790
Investments	-	-	-	-	-	-	-	-	-
Receivables:									
Accounts	14,147	-	-	-	479	-	-	-	-
Other taxes	170,177	-	-	-	-	-	-	67,120	50,018
Accrued interest	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	130,966	271,502	-	-	-
Prepaid items	-	3,000	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 513,456</b>	<b>\$ 864,337</b>	<b>\$ 35,664</b>	<b>\$ 242,804</b>	<b>\$ 326,012</b>	<b>\$ 421,702</b>	<b>\$ 16,109</b>	<b>\$ 1,239,216</b>	<b>\$ 820,808</b>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ 6,967	\$ -	\$ 195	\$ 34,165	\$ 69,989	\$ -	\$ -	\$ -
Other accrued liabilities	-	86,257	-	-	41,822	-	-	-	-
Due to other funds	-	-	-	-	160,000	-	-	-	-
Deferred revenue	-	-	-	-	-	15,770	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>93,224</b>	<b>-</b>	<b>195</b>	<b>235,987</b>	<b>85,759</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>									
NonSpendable									
Prepaid items	-	3,000	-	-	-	-	-	-	-
Restricted									
Capital Projects	-	-	-	-	-	-	-	1,239,216	820,808
Law Enforcement	-	768,113	-	-	-	-	-	-	-
Fire	-	-	35,664	-	-	-	-	-	-
Library	-	-	-	242,609	-	-	-	-	-
Community Housing	-	-	-	-	90,025	-	-	-	-
Hotel/Motel	513,456	-	-	-	-	-	-	-	-
Veterans Memorial Park	-	-	-	-	-	-	16,109	-	-
Grants	-	-	-	-	-	335,943	-	-	-
<b>Total fund balances</b>	<b>513,456</b>	<b>771,113</b>	<b>35,664</b>	<b>242,609</b>	<b>90,025</b>	<b>335,943</b>	<b>16,109</b>	<b>1,239,216</b>	<b>820,808</b>
<b>Total liabilities and fund balances</b>	<b>\$ 513,456</b>	<b>\$ 864,337</b>	<b>\$ 35,664</b>	<b>\$ 242,804</b>	<b>\$ 326,012</b>	<b>\$ 421,702</b>	<b>\$ 16,109</b>	<b>\$ 1,239,216</b>	<b>\$ 820,808</b>

**Capital Projects**

<b>Technology Improvement</b>	<b>Fire Improvement</b>	<b>Park Construction</b>	<b>Facilities Improvement</b>	<b>Library Improvement</b>	<b>Stormwater Construction</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 1,739,263	\$ 538,018	\$ 16,442,396	\$ 19,241,595	\$ 311,464	\$ 3,240,253	\$ 45,285,688
-	-	2,950,200	-	-	-	2,950,200
-	-	-	-	-	-	14,626
-	-	-	-	-	-	287,315
-	-	7,838	-	-	-	7,838
-	-	-	-	-	-	402,468
13,174	-	-	-	-	-	16,174
<b>\$ 1,752,437</b>	<b>\$ 538,018</b>	<b>\$ 19,400,434</b>	<b>\$ 19,241,595</b>	<b>\$ 311,464</b>	<b>\$ 3,240,253</b>	<b>\$ 48,964,309</b>
\$ 17,193	\$ -	\$ 5,611	\$ 55,568	\$ -	\$ -	\$ 189,688
-	-	290,051	3,446	-	5,790	427,366
-	-	-	-	-	-	160,000
-	-	-	-	-	-	15,770
17,193	-	295,662	59,014	-	5,790	792,824
13,174	-	-	-	-	-	16,174
1,722,070	538,018	19,104,772	19,182,581	311,464	3,234,463	46,153,392
-	-	-	-	-	-	768,113
-	-	-	-	-	-	35,664
-	-	-	-	-	-	242,609
-	-	-	-	-	-	90,025
-	-	-	-	-	-	513,456
-	-	-	-	-	-	16,109
-	-	-	-	-	-	335,943
1,735,244	538,018	19,104,772	19,182,581	311,464	3,234,463	48,171,485
<b>\$ 1,752,437</b>	<b>\$ 538,018</b>	<b>\$ 19,400,434</b>	<b>\$ 19,241,595</b>	<b>\$ 311,464</b>	<b>\$ 3,240,253</b>	<b>\$ 48,964,309</b>

**CITY OF MCKINNEY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue								
	Hotel/Motel	Law Enforcement	Fire Donations	Library Gift	Community Housing	Grants	Veterans Memorial	TIRZ 1	TIRZ 2
<b>REVENUES</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,770	\$ 49,072
Sales and use taxes	696,990	-	-	-	-	-	-	406,544	282,011
Intergovernmental	-	-	-	63,283	636,132	720,580	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	395,721	-	-	-	-	-	-	-
Investment income	307	854	35	240	81	-	11	1,147	734
Contributions	-	15,445	16,130	35,396	-	2,575	4,169	-	-
Miscellaneous	7,917	-	-	2,251	37,969	-	-	-	-
<b>Total revenues</b>	<b>705,214</b>	<b>412,020</b>	<b>16,165</b>	<b>101,170</b>	<b>674,182</b>	<b>723,155</b>	<b>4,180</b>	<b>475,461</b>	<b>331,817</b>
<b>EXPENDITURES</b>									
Current:									
General government	-	-	-	-	-	25,474	-	-	-
Police	-	198,448	-	-	-	72,375	-	-	-
Fire	-	-	4,484	-	-	129,891	-	-	-
Libraries	-	-	-	45,071	-	-	-	-	-
Development	459,370	-	-	-	723,563	272,108	-	-	-
Parks and recreation	-	-	-	-	-	-	2,442	-	-
Public works	-	-	-	-	-	-	-	-	-
Capital Expenditures:									
General government	-	-	-	-	-	12,316	-	-	-
Police	-	18,849	-	-	-	295,564	-	-	-
Fire	-	-	-	-	-	-	-	-	-
Development	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>459,370</b>	<b>217,297</b>	<b>4,484</b>	<b>45,071</b>	<b>723,563</b>	<b>807,728</b>	<b>2,442</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	245,844	194,723	11,681	56,099	(49,381)	(84,573)	1,738	475,461	331,817
<b>OTHER FINANCING SOURCES (USES)</b>									
Issuance of long-term debt	-	-	-	-	-	-	-	-	-
Proceeds from sale of property	-	10,676	-	-	-	-	-	-	-
Transfers in	-	20,000	-	-	83,000	24,570	8,000	-	-
Transfers out	(41,630)	(4,391)	-	-	(1,114)	-	-	(10,500)	(4,500)
<b>Total other financing sources (uses):</b>	<b>(41,630)</b>	<b>26,285</b>	<b>-</b>	<b>-</b>	<b>81,886</b>	<b>24,570</b>	<b>8,000</b>	<b>(10,500)</b>	<b>(4,500)</b>
Net change in fund balances	204,214	221,008	11,681	56,099	32,505	(60,003)	9,738	464,961	327,317
Fund balances, beginning of year	309,242	550,105	23,983	186,510	57,520	395,946	6,371	774,255	493,491
Fund balances, end of year	\$ 513,456	\$ 771,113	\$ 35,664	\$ 242,609	\$ 90,025	\$ 335,943	\$ 16,109	\$ 1,239,216	\$ 820,808

Capital Projects							Total
Technology Improvement	Fire Improvement	Park Construction	Facilities Improvement	Library Improvement	Stormwater Construction	Governmental Funds	Nonmajor
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,842
-	-	-	-	-	-	-	1,385,545
-	-	226,476	-	-	-	-	1,646,471
8,325	-	-	-	-	-	-	8,325
-	-	-	-	-	-	-	395,721
2,623	644	7,838	17,507	391	3,831	-	36,243
-	-	5,452,992	11,470	-	36,528	-	5,574,705
-	-	4,571	6,702	-	463	-	59,873
10,948	644	5,691,877	35,679	391	40,822	-	9,223,725
747,819	-	-	263,786	-	-	-	1,037,079
-	-	-	-	-	-	-	270,823
-	-	-	-	-	-	-	134,375
-	-	-	-	-	-	-	45,071
-	-	-	-	-	-	-	1,455,041
-	-	37,075	-	-	-	-	39,517
-	-	230,136	-	-	-	-	230,136
301,401	-	-	-	-	-	-	313,717
-	-	-	84,674	-	-	-	399,087
-	44,082	-	-	-	-	-	44,082
-	-	-	175,926	-	-	-	175,926
-	-	7,794,324	-	-	-	-	7,794,324
-	-	-	-	-	17,813	-	17,813
1,049,220	44,082	8,061,535	524,386	-	17,813	-	11,956,991
(1,038,272)	(43,438)	(2,369,658)	(488,707)	391	23,009	-	(2,733,266)
-	-	-	6,110,000	-	-	-	6,110,000
-	-	-	-	-	-	-	10,676
929,074	-	-	6,000,000	-	-	-	7,064,644
-	-	(8,000)	-	-	-	-	(70,135)
929,074	-	(8,000)	12,110,000	-	-	-	13,115,185
(109,198)	(43,438)	(2,377,658)	11,621,293	391	23,009	-	10,381,919
1,844,442	581,456	21,482,430	7,561,288	311,073	3,211,454	-	37,789,566
\$ 1,735,244	\$ 538,018	\$ 19,104,772	\$ 19,182,581	\$ 311,464	\$ 3,234,463	\$ -	\$ 48,171,485

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 HOTEL/MOTEL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Sales and use taxes	\$ 500,000	\$ 575,000	\$ 696,990	\$ 121,990
Investment income	1,007	1,007	307	(700)
Miscellaneous	-	-	7,917	7,917
<b>Total revenues</b>	<u>501,007</u>	<u>576,007</u>	<u>705,214</u>	<u>129,207</u>
<b>EXPENDITURES</b>				
Development	-	-	459,370	(459,370)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>459,370</u>	<u>(459,370)</u>
Excess (deficiency) of revenues over expenditures	<u>501,007</u>	<u>576,007</u>	<u>245,844</u>	<u>(330,163)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(501,000)	(501,000)	(41,630)	459,370
<b>Total other financing sources (uses)</b>	<u>(501,000)</u>	<u>(501,000)</u>	<u>(41,630)</u>	<u>459,370</u>
Net change in fund balances	7	75,007	204,214	129,207
Fund balances, beginning of year, as restated	<u>309,242</u>	<u>309,242</u>	<u>309,242</u>	<u>-</u>
Fund balances, end of year	<u>\$ 309,249</u>	<u>\$ 384,249</u>	<u>\$ 513,456</u>	<u>\$ 129,207</u>

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 LAW ENFORCEMENT FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 310,000	\$ 310,000	\$ 395,721	\$ 85,721
Investment income	2,995	2,995	854	(2,141)
Contributions	-	-	15,445	15,445
<b>Total revenues</b>	<u>312,995</u>	<u>312,995</u>	<u>412,020</u>	<u>99,025</u>
<b>EXPENDITURES</b>				
Current Expenditures:				
Police	336,500	336,500	217,297	119,203
<b>Total expenditures</b>	<u>336,500</u>	<u>336,500</u>	<u>217,297</u>	<u>119,203</u>
Excess (deficiency) of revenues over expenditures	<u>(23,505)</u>	<u>(23,505)</u>	<u>194,723</u>	<u>218,228</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	-	-	10,676	10,676
Transfers in	-	-	20,000	20,000
Transfers out	-	-	(4,391)	(4,391)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>26,285</u>	<u>26,285</u>
Net change in fund balances	(23,505)	(23,505)	221,008	244,513
Fund balances, beginning of year, as restated	550,105	550,105	550,105	-
Fund balances, end of year	<u>\$ 526,600</u>	<u>\$ 526,600</u>	<u>\$ 771,113</u>	<u>\$ 244,513</u>

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 FIRE DEPARTMENT DONATIONS FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Investment income	\$ 126	\$ 126	\$ 35	\$ (91)
Contributions	-	9,880	16,130	6,250
<b>Total revenues</b>	<u>126</u>	<u>10,006</u>	<u>16,165</u>	<u>6,159</u>
<b>EXPENDITURES</b>				
General government	26,000	8,045	4,484	3,561
<b>Total expenditures</b>	<u>26,000</u>	<u>8,045</u>	<u>4,484</u>	<u>3,561</u>
Excess (deficiency) of revenues over expenditures	<u>(25,874)</u>	<u>1,961</u>	<u>11,681</u>	<u>9,720</u>
Net change in fund balances	(25,874)	1,961	11,681	9,720
Fund balances, beginning of year	23,983	23,983	23,983	-
Fund balances, end of year	<u>\$ (1,891)</u>	<u>\$ 25,944</u>	<u>\$ 35,664</u>	<u>\$ 9,720</u>

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**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 LIBRARY GIFT FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 63,283	\$ 63,283
Investment income	912	912	240	(672)
Contributions	40,500	40,500	37,647	(2,853)
<b>Total revenues</b>	<u>41,412</u>	<u>41,412</u>	<u>101,170</u>	<u>59,758</u>
<b>EXPENDITURES</b>				
Libraries	75,000	75,000	45,071	29,929
<b>Total expenditures</b>	<u>75,000</u>	<u>75,000</u>	<u>45,071</u>	<u>29,929</u>
Excess (deficiency) of revenues over expenditures	<u>(33,588)</u>	<u>(33,588)</u>	<u>56,099</u>	<u>89,687</u>
Net change in fund balances	(33,588)	(33,588)	56,099	89,687
Fund balances, beginning of year	186,510	186,510	186,510	-
Fund balances, end of year	<u>\$ 152,922</u>	<u>\$ 152,922</u>	<u>\$ 242,609</u>	<u>\$ 89,687</u>

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**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 COMMUNITY HOUSING FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Intergovernmental	\$ 1,133,986	\$ 1,133,986	\$ 636,132	\$ (497,854)
Investment income	20	55	81	26
Miscellaneous	-	19,969	37,969	18,000
<b>Total revenues</b>	<b>1,134,006</b>	<b>1,154,010</b>	<b>674,182</b>	<b>(479,828)</b>
<b>EXPENDITURES</b>				
Development	1,223,429	1,283,027	723,563	559,464
<b>Total expenditures</b>	<b>1,223,429</b>	<b>1,283,027</b>	<b>723,563</b>	<b>559,464</b>
Excess (deficiency) of revenues over expenditures	(89,423)	(129,017)	(49,381)	79,636
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	83,000	83,000	83,000	-
Transfers out	-	-	(1,114)	(1,114)
<b>Total other financing sources (uses)</b>	<b>83,000</b>	<b>83,000</b>	<b>81,886</b>	<b>(1,114)</b>
Net change in fund balances	(6,423)	(46,017)	32,505	78,522
Fund balances, beginning of year	57,520	57,520	57,520	-
Fund balances, end of year	<u>\$ 51,097</u>	<u>\$ 11,503</u>	<u>\$ 90,025</u>	<u>\$ 78,522</u>

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 GRANTS FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Intergovernmental Contributions	\$ 1,541,958	\$ 996,892	\$ 720,580	\$ (276,312)
	-	2,575	2,575	-
<b>Total revenues</b>	<u>1,541,958</u>	<u>999,467</u>	<u>723,155</u>	<u>(276,312)</u>
<b>EXPENDITURES</b>				
General government	-	29,500	37,790	(8,290)
Police	167,844	153,005	367,939	(214,934)
Fire	1,013,544	340,342	129,891	210,451
Development	534,619	499,045	272,108	226,937
<b>Total expenditures</b>	<u>1,716,007</u>	<u>1,021,892</u>	<u>807,728</u>	<u>214,164</u>
Excess (deficiency) of revenues over expenditures	<u>(174,049)</u>	<u>(22,425)</u>	<u>(84,573)</u>	<u>(62,148)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	174,049	129,391	24,570	(104,821)
<b>Total other financing sources (uses)</b>	<u>174,049</u>	<u>129,391</u>	<u>24,570</u>	<u>(104,821)</u>
Net change in fund balances	-	106,966	(60,003)	(166,969)
Fund balances, beginning of year	395,946	395,946	395,946	-
Fund balances, end of year	<u>\$ 395,946</u>	<u>\$ 502,912</u>	<u>\$ 335,943</u>	<u>\$ (166,969)</u>

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 VETERANS MEMORIAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Investment income	\$ 20	\$ 20	\$ 11	\$ (9)
Contributions	3,500	3,500	4,169	669
<b>Total revenues</b>	<u>3,520</u>	<u>3,520</u>	<u>4,180</u>	<u>660</u>
<b>EXPENDITURES</b>				
Parks and recreation	10,885	10,885	2,442	8,443
<b>Total expenditures</b>	<u>10,885</u>	<u>10,885</u>	<u>2,442</u>	<u>8,443</u>
Excess (deficiency) of revenues over expenditures	<u>(7,365)</u>	<u>(7,365)</u>	<u>1,738</u>	<u>9,103</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	8,000	8,000	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Net change in fund balances	(7,365)	635	9,738	9,103
Fund balances, beginning of year	6,371	6,371	6,371	-
Fund balances, end of year	<u>\$ (994)</u>	<u>\$ 7,006</u>	<u>\$ 16,109</u>	<u>\$ 9,103</u>

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**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 TIRZ 1 FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Property taxes	\$ 57,066	\$ 67,770	\$ 67,770	\$ -
Sales and use taxes	420,000	357,111	406,544	49,433
Investment income	2,220	1,150	1,147	(3)
<b>Total revenues</b>	<u>479,286</u>	<u>426,031</u>	<u>475,461</u>	<u>49,430</u>
<b>EXPENDITURES</b>				
General government	400,000	-	-	-
<b>Total expenditures</b>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	79,286	426,031	475,461	49,430
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,000)	(15,000)	(10,500)	4,500
<b>Total other financing sources (uses)</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(10,500)</u>	<u>4,500</u>
Net change in fund balances	64,286	411,031	464,961	53,930
Fund balances, beginning of year	774,255	774,255	774,255	-
Fund balances, end of year	<u>\$ 838,541</u>	<u>\$ 1,185,286</u>	<u>\$ 1,239,216</u>	<u>\$ 53,930</u>

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON (GAAP BASIS)  
 TIRZ 2 FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Property taxes	\$ 40,793	\$ 40,793	\$ 49,072	\$ 8,279
Sales and use taxes	216,000	360,995	282,011	(78,984)
Investment income	1,478	735	734	(1)
Contributions	16,000	8,278	-	(8,278)
<b>Total revenues</b>	<u>274,271</u>	<u>410,801</u>	<u>331,817</u>	<u>(78,984)</u>
Excess (deficiency) of revenues over expenditures	274,271	410,801	331,817	(78,984)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(15,000)	(15,000)	(4,500)	10,500
<b>Total other financing sources (uses)</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(4,500)</u>	<u>10,500</u>
Net change in fund balances	259,271	395,801	327,317	(68,484)
Fund balances, beginning of year	493,491	493,491	493,491	-
Fund balances, end of year	<u>\$ 752,762</u>	<u>\$ 889,292</u>	<u>\$ 820,808</u>	<u>\$ (68,484)</u>

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## **NON-MAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS**

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

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

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

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

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**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2013**

	Business-type Activities - Enterprise Funds			Total Non-major Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 103,031	\$ 1,999,292	\$ 5,387,969	\$ 7,490,292
Investments	-	-	553,956	553,956
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accounts receivable (net of allowance for uncollectibles)	51,741	221,715	1,321,705	1,595,161
Accrued interest	-	-	1,988	1,988
Notes receivable- interfund	-	-	924,440	924,440
Notes receivable- component unit	-	-	5,177,500	5,177,500
<b>Total current assets</b>	<b>164,772</b>	<b>2,221,007</b>	<b>13,367,558</b>	<b>15,753,337</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	40,675	463,469	946,669
Less accumulated depreciation	(2,436,842)	(10,211)	(903,872)	(3,350,925)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>2,429,584</b>	<b>30,464</b>	<b>524,267</b>	<b>2,984,315</b>
<b>TOTAL ASSETS</b>	<b>2,594,356</b>	<b>2,251,471</b>	<b>13,891,825</b>	<b>18,737,652</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	18,839	1,046	42,585	62,470
Other accrued liabilities	-	21,440	619,259	640,699
Due to other funds	-	-	35,034	35,034
Notes payable	47,122	-	-	47,122
Compensated Absences	-	7,962	9,718	17,680
<b>Total current liabilities</b>	<b>65,961</b>	<b>30,448</b>	<b>706,596</b>	<b>803,005</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	-	50,280	61,375	111,655
Notes payable	877,318	-	-	877,318
<b>Total non-current liabilities</b>	<b>877,318</b>	<b>50,280</b>	<b>61,375</b>	<b>988,973</b>
<b>TOTAL LIABILITIES</b>	<b>953,279</b>	<b>80,728</b>	<b>767,971</b>	<b>1,801,978</b>
<b>NET POSITION</b>				
Net investment in capital assets	2,429,584	30,464	524,267	2,984,315
Unrestricted	(788,507)	2,140,279	12,599,587	13,951,359
<b>Total net position</b>	<b>\$ 1,641,077</b>	<b>\$ 2,170,743</b>	<b>\$ 13,123,854</b>	<b>\$ 16,935,674</b>



**CITY OF MCKINNEY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET POSITION- NONMAJOR ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-type Activities - Enterprise Funds			Total Non-major Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 41,905	\$ 1,898,269	\$ 6,815,020	\$ 8,755,194
Miscellaneous	74,322	-	59,386	133,708
<b>Total operating revenues</b>	<b>116,227</b>	<b>1,898,269</b>	<b>6,874,406</b>	<b>8,888,902</b>
<b>OPERATING EXPENSES</b>				
Personnel services	-	806,801	902,948	1,709,749
Materials and supplies	-	45,011	44,190	89,201
Maintenance	150,875	236,495	22,431	409,801
Contract payments	-	457,745	5,398,836	5,856,581
Utilities	-	2,387	5,686	8,073
Depreciation	183,694	3,462	56,902	244,058
Other	16,987	108,696	55,042	180,725
<b>Total operating expenses</b>	<b>351,556</b>	<b>1,660,597</b>	<b>6,486,035</b>	<b>8,498,188</b>
Operating income (loss)	(235,329)	237,672	388,371	390,714
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment income	188	2,975	282,947	286,110
<b>Total non-operating revenues</b>	<b>188</b>	<b>2,975</b>	<b>282,947</b>	<b>286,110</b>
Income(loss) before contributions and transfers	(235,141)	240,647	671,318	676,824
Transfers out	(5,000)	(76,132)	(400,404)	(481,536)
Change in net position	(240,141)	164,515	270,914	195,288
<b>Total net position - beginning</b>	<b>1,881,218</b>	<b>2,006,228</b>	<b>12,852,940</b>	<b>16,740,386</b>
<b>Total net position - ending</b>	<b>\$ 1,641,077</b>	<b>\$ 2,170,743</b>	<b>\$ 13,123,854</b>	<b>\$ 16,935,674</b>

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Business-type Activities - Enterprise Funds			Total Non-Major Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 117,075	\$ 1,899,834	\$ 6,986,660	\$ 9,003,569
Other operating revenues	74,322	-	59,386	133,708
Cash payments for employee services	-	(794,661)	(885,048)	(1,679,709)
Cash payments to suppliers for goods and services	(154,687)	(901,970)	(5,507,378)	(6,564,035)
<b>Net cash provided by operating activities</b>	<b>36,710</b>	<b>203,203</b>	<b>653,620</b>	<b>893,533</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers out	(5,000)	(76,132)	(400,404)	(481,536)
<b>Net cash used in non-capital financing activities</b>	<b>(5,000)</b>	<b>(76,132)</b>	<b>(400,404)</b>	<b>(481,536)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition and construction of capital assets	-	(25,946)	(80,793)	(106,739)
Principal payments on loans	(46,313)	-	-	(46,313)
Proceeds from advances	-	-	46,313	46,313
<b>Net cash used in capital and related financing activities</b>	<b>(46,313)</b>	<b>(25,946)</b>	<b>(34,480)</b>	<b>(106,739)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investment securities	-	-	(23,957)	(23,957)
Investment earnings	188	2,975	282,948	286,111
<b>Net cash provided by investing activities</b>	<b>188</b>	<b>2,975</b>	<b>258,991</b>	<b>262,154</b>
<b>Net increase (decrease) in cash</b>	<b>(14,415)</b>	<b>104,100</b>	<b>477,727</b>	<b>567,412</b>
Cash and cash equivalents at beginning of year	127,446	1,895,192	4,910,242	6,932,880
Cash and cash equivalents at end of year	<b>\$ 113,031</b>	<b>\$ 1,999,292</b>	<b>\$ 5,387,969</b>	<b>\$ 7,500,292</b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>				
Unrestricted cash and cash equivalents	\$ 103,031	\$ 1,999,292	\$ 5,387,969	\$ 7,490,292
Restricted cash and cash equivalents	10,000	-	-	10,000
	<b>\$ 113,031</b>	<b>\$ 1,999,292</b>	<b>\$ 5,387,969</b>	<b>\$ 7,500,292</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (235,329)	\$ 237,672	\$ 388,371	\$ 390,714
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	183,694	3,462	56,902	244,058
Provision for uncollectibles	-	6,927	56,762	63,689
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	75,170	(5,362)	114,878	184,686
Prepaid expenses	-	2,676	562	3,238
Increase (decrease) in liabilities:				
Accounts payable	13,175	(54,312)	(35,473)	(76,610)
Accrued liabilities	-	4,752	58,377	63,129
Due to other funds	-	-	(38)	(38)
Liability for accrued vacation	-	7,388	13,279	20,667
<b>Total adjustments</b>	<b>272,039</b>	<b>(34,469)</b>	<b>265,249</b>	<b>502,819</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 36,710</b>	<b>\$ 203,203</b>	<b>\$ 653,620</b>	<b>\$ 893,533</b>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,343,469
Accounts receivable (net of allowance for uncollectibles)	75,265
<b>Total currents assets</b>	<u>3,418,734</u>
<b>TOTAL ASSETS</b>	<u>3,418,734</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,116,093
<b>Total current liabilities</b>	<u>1,116,093</u>
<b>TOTAL LIABILITIES</b>	<u>1,116,093</u>
<b>NET POSITION</b>	
Unrestricted	2,302,641
<b>Total net position</b>	<u>\$ 2,302,641</u>

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**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 15,302,126
Intergovernmental	-
<b>Total operating revenues</b>	<u>15,302,126</u>
<b>OPERATING EXPENSES</b>	
Personnel services	88,658
Other	12,915,229
<b>Total operating expenses</b>	<u>13,003,887</u>
Operating income	<u>2,298,239</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	4,402
<b>Total non-operating revenues</b>	<u>4,402</u>
Income before contributions and transfers	<u>2,302,641</u>
Change in net position	2,302,641
<b>Total net position - beginning</b>	-
<b>Total net position - ending</b>	<u><u>\$ 2,302,641</u></u>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from user charges	\$ 15,226,861
Cash payments for employee services	(88,658)
Cash payments for other operating expenses	(11,799,136)
<b>Net cash provided by operating activities</b>	<u>3,339,067</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment earnings	4,402
<b>Net cash provided by investing activities</b>	<u>4,402</u>
<b>Net increase in cash</b>	3,343,469
Cash and cash equivalents at beginning of year	-
Cash and cash equivalents at end of year	<u>\$ 3,343,469</u>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>	
Unrestricted cash and cash equivalents	<u>\$ 3,343,469</u>
	<u>\$ 3,343,469</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	<u>\$ 2,298,239</u>
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(75,265)
Increase (decrease) in liabilities:	
Accounts payable	1,116,093
<b>Total adjustments</b>	<u>1,040,828</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 3,339,067</u>

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# **FIDUCIARY FUNDS**



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**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
YEAR ENDED SEPTEMBER 30, 2013**

BB Owen Park	<b>Balance September 30, 2012</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance September 30, 2013</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 10,952,722	\$ 15,656	\$ -	\$ 10,968,378
<b>Total Assets</b>	<u>\$ 10,952,722</u>	<u>\$ 15,656</u>	<u>\$ -</u>	<u>\$ 10,968,378</u>
<b>LIABILITIES:</b>				
Other accrued liabilities	\$ 10,952,722	\$ 15,656	\$ -	\$ 10,968,378
<b>Total Liabilities</b>	<u>\$ 10,952,722</u>	<u>\$ 15,656</u>	<u>\$ -</u>	<u>\$ 10,968,378</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.

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

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**CITY OF MCKINNEY, TEXAS  
 COMBINING BALANCE SHEET  
 MCKINNEY ECONOMIC DEVELOPMENT CORPORATION  
 SEPTEMBER 30, 2013**

	<b>MEDC Operating Fund</b>	<b>Debt Service Fund</b>	<b>Debt Reserve Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,909,807	\$ -	\$ -	\$ 10,909,807
Restricted cash and cash equivalents	-	1,625	1,587,451	1,589,076
Accounts receivable	1,718,768	-	-	1,718,768
Prepaid items	173,641	-	-	173,641
<b>Total assets</b>	<b>\$ 12,802,216</b>	<b>\$ 1,625</b>	<b>\$ 1,587,451</b>	<b>\$14,391,292</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 68,177	\$ -	\$ -	\$ 68,177
Other accrued liabilities	11,752	-	-	11,752
<b>Total liabilities</b>	<b>79,929</b>	<b>-</b>	<b>-</b>	<b>79,929</b>
<b>FUND BALANCES</b>				
NonSpendable				
Prepaid items	173,641	-	-	173,641
Restricted				
Debt service	-	1,625	-	1,625
Debt service reserve balance	-	-	1,587,451	1,587,451
Unassigned	12,548,646	-	-	12,548,646
<b>Total fund balances</b>	<b>12,722,287</b>	<b>1,625</b>	<b>1,587,451</b>	<b>14,311,363</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,802,216</b>	<b>\$ 1,625</b>	<b>\$ 1,587,451</b>	<b>\$14,391,292</b>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION- MCKINNEY ECONOMIC  
DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2013**

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Total fund balance-governmental funds.	\$ 14,311,363
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.	116,998
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	23,645,868
Accumulated depreciation has not been included in the governmental fund financial statements.	(243,969)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(44,315)
Bonds payable, contractual obligations and notes payable have not been included in the governmental fund financial statements.	(20,105,000)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(63,383)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 17,617,562</u></u>

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**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - MCKINNEY ECONOMIC  
DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>MEDC Operating Fund</b>	<b>Debt Service Fund</b>	<b>Debt Reserve Fund</b>	<b>Elimination</b>	<b>Total</b>
<b>REVENUES</b>					
Sales and use taxes	\$ 9,700,659	\$ -	\$ -	\$ -	\$ 9,700,659
Investment income	13,633	1,496	2,570	-	17,699
Contributions	3,076	-	-	-	3,076
<b>Total revenues</b>	<b>9,717,368</b>	<b>1,496</b>	<b>2,570</b>	<b>-</b>	<b>9,721,434</b>
<b>EXPENDITURES</b>					
Economic development	5,905,415	-	-	-	5,905,415
Interest and fiscal charges	-	963,846	-	-	963,846
Principal payments	-	2,280,000	-	-	2,280,000
Capital Outlay	5,380	-	-	-	5,380
<b>Total expenditures</b>	<b>5,910,795</b>	<b>3,243,846</b>	<b>-</b>	<b>-</b>	<b>9,154,641</b>
Excess (deficiency) of revenues over expenditures	3,806,573	(3,242,350)	2,570	-	566,793
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	3,242,747	-	(3,242,747)	-
Transfers out	(3,242,747)	-	-	3,242,747	-
<b>Total other financing sources (uses):</b>	<b>(3,242,747)</b>	<b>3,242,747</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues and other sources over expenditures	563,826	397	2,570	-	566,793
Fund balances, beginning of year	12,158,461	1,228	1,584,881	-	13,744,570
Fund balances, end of year	\$12,722,287	\$ 1,625	\$ 1,587,451	\$ -	\$ 14,311,363

**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, 2013**

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Net change in fund balances- total governmental funds.	\$ 566,793
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 2013 capital outlays is to increase net assets.	5,380
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(20,017)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	2,280,000
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.	14,534
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.	(18,401)
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	<u>(21,914)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 2,806,375</u></b>

**CITY OF MCKINNEY, TEXAS  
 BALANCE SHEET- MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
 SEPTEMBER 30, 2013**

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	<b>McKinney Community Development Corporation</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 29,196,042
Accounts receivable	1,715,348
Prepaid items	4,852
<b>Total assets</b>	<b>\$ 30,916,242</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 259,287
Other accrued liabilities	4,361
<b>Total liabilities</b>	<b>263,648</b>
<b>FUND BALANCES</b>	
NonSpendable	
Prepaid items	4,852
Unrestricted	30,647,742
<b>Total fund balances</b>	<b>30,652,594</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,916,242</b>

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**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET  
POSITION - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2013**

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Total fund balance-governmental funds.	\$ 30,652,594
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	7,793,169
Accumulated depreciation has not been included in the governmental fund financial statements.	(259,735)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	<u>(18,408)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 38,167,620</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, 2013**

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	<b>McKinney Community Development Corporation</b>
<b>REVENUES</b>	
Sales and use taxes	\$ 9,700,658
Investment income	34,356
Contributions	2,010
<b>Total revenues</b>	<u>9,737,024</u>
<b>EXPENDITURES</b>	
Community development	<u>6,833,903</u>
<b>Total expenditures</b>	<u>6,833,903</u>
Excess of revenues over expenditures	2,903,121
Fund balances, beginning of year	<u>27,749,473</u>
Fund balances, end of year	<u><u>\$ 30,652,594</u></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, 2013**

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Net change in fund balances- total governmental funds.	\$ 2,903,121
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(141,883)
Reductions of vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	<u>(7,960)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 2,753,278</u></u>

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**CITY OF MCKINNEY, TEXAS  
 BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>McKinney Convention &amp; Visitors Bureau</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 362,430
Accounts receivable	287
Prepaid items	8,128
<b>Total assets</b>	<b>\$ 370,845</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 10,224
Other accrued liabilities	4,411
<b>Total liabilities</b>	<b>14,635</b>
<b>FUND BALANCES</b>	
NonSpendable	
Prepaid items	8,128
Unrestricted	348,082
<b>Total fund balances</b>	<b>356,210</b>
<b>Total liabilities and fund balances</b>	<b>\$ 370,845</b>

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**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION – MCKINNEY CONVENTION AND VISITORS BUREAU  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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Total fund balance-governmental funds.	\$	356,210
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		<u>(26,891)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u><u>329,319</u></u></b>

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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, 2013**

	<b>McKinney Convention &amp; Visitors Bureau</b>
<b>REVENUES</b>	
Contributions	\$ 459,370
Investment income	399
Miscellaneous	1,711
<b>Total revenues</b>	<u>461,480</u>
<b>EXPENDITURES</b>	
Community development	<u>422,373</u>
<b>Total expenditures</b>	<u>422,373</u>
Excess of revenues over expenditures	39,107
Fund balances, beginning of year	<u>317,103</u>
Fund balances, end of year	<u><u>\$ 356,210</u></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, 2013**

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Net change in fund balances- total governmental funds.	\$ 39,107
Reductions of vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	<u>(15,762)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 23,345</u></u>

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**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET POSITION- COLLIN COUNTY AIRPORT DEVELOPMENT  
CORPORATION  
SEPTEMBER 30, 2013**

	<u>Collin County Airport Development Corporation</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 801,434
Restricted assets:	
Cash and cash equivalents	6,660,038
Receivables (net of allowance for uncollectibles)	25,569
Due from other governments	143,443
Prepaid items	700
<b>Total current assets</b>	<u>7,631,184</u>
Capital assets:	
Land	19,190,706
Buildings	4,903,404
Improvements other than buildings	59,694,190
Machinery and equipment	576,676
Construction in progress	169,151
Less accumulated depreciation	<u>(13,268,200)</u>
<b>Total capital assets (net of   accumulated depreciation)</b>	<u>71,265,927</u>
<b>Total non-current assets</b>	<u>71,265,927</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 78,897,111</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 16,973
Other accrued liabilities	8,533
Compensated absences	7,425
<b>Total current liabilities unrestricted</b>	<u>32,931</u>
Liabilities (payable from restricted assets):	
Accounts payable	67,048
Deposits	22,714
<b>Total current liabilities (payable from   restricted assets)</b>	<u>89,762</u>
<b>Total current liabilities</b>	<u>122,693</u>
Non-current liabilities:	
Compensated absences	46,889
<b>Total non-current liabilities</b>	<u>46,889</u>
<b>TOTAL LIABILITIES</b>	<u>169,582</u>
<b>NET POSITION</b>	
Net investment in capital assets	71,265,927
Unrestricted	7,461,602
<b>TOTAL NET POSITION</b>	<u><u>\$ 78,727,529</u></u>



**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – COLLIN  
COUNTY AIRPORT DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Collin County Airport Development Corporation</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 470,428
Intergovernmental	50,232
Miscellaneous	17,213
<b>Total operating revenues</b>	<u>537,873</u>
 <b>OPERATING EXPENSES</b>	
Personnel services	507,187
Materials and supplies	36,314
Maintenance	50,752
Contract payments	271,170
Utilities	43,887
Depreciation	1,351,970
Other	108,698
<b>Total operating expenses</b>	<u>2,369,978</u>
Operating loss	<u>(1,832,105)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	6,201,459
Investment income	5,363
Loss on disposal of assets	3,101
<b>Total non-operating revenues</b>	<u>6,209,923</u>
Income before contributions	<u>4,377,818</u>
Contributions	<u>736,119</u>
Change in net position	5,113,937
<b>Total net position-beginning, as restated</b>	<u>73,613,592</u>
<b>Total net position-ending</b>	<u><u>\$ 78,727,529</u></u>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CASH FLOWS- COLLIN COUNTY AIRPORT DEVELOPMENT  
CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Collin County Airport Development Corporation</b>
	<b><u>Corporation</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 351,892
Other operating revenues	67,445
Cash payments to employees for services	(497,862)
Cash payments to suppliers for goods and services	<u>(444,860)</u>
<b>Net cash used in operating activities</b>	<b><u>(523,385)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(1,414,782)
Proceeds from sale of assets	3,101
Capital grants	6,201,459
Contributions	<u>612,119</u>
<b>Cash provided by capital         and related financing activities</b>	<b><u>5,401,897</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>5,363</u>
<b>Cash provided by investing activities</b>	<b><u>5,363</u></b>
Net increase in cash	4,883,875
Cash and cash equivalents at beginning of year	<u>2,577,597</u>
Cash and cash equivalents at end of year	<b><u>\$ 7,461,472</u></b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>	
Unrestricted cash and cash equivalents	\$ 801,434
Restricted cash and cash equivalents	<u>6,660,038</u>
	<b><u>\$ 7,461,472</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	<b><u>\$ (1,832,105)</u></b>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	1,351,971
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(118,537)
Prepaid expense	(700)
Increase (decrease) in liabilities:	
Accounts payable	66,661
Accrued liabilities	(135)
Liability for accrued vacation	<u>9,460</u>
Total adjustments	<u>1,308,720</u>
<b>Net cash used in operating activities</b>	<b><u>\$ (523,385)</u></b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Non-cash contributions	\$ (124,000)

**STATISTICAL SECTION**



**MCKINNEY**<sup>TM</sup>

**T E X A S**

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

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

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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Net investment in capital assets	\$ 190,303,137	\$ 237,354,450	\$ 267,326,939	\$ 297,203,029	\$ 239,601,800
Restricted for:					
Use of impact fees	5,275,989	6,931,347	6,682,804	5,914,879	5,876,387
Highways and streets	-	-	-	-	40,323,951
Debt service	1,473,936	385,799	1,608,313	1,265,064	1,504,492
Other capital projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	242,563	117,354	-	-	-
Unrestricted	50,881,072	33,120,488	42,300,986	44,022,473	59,424,524
<b>Total governmental activities net position</b>	<b>\$ 248,176,697</b>	<b>\$ 277,909,438</b>	<b>\$ 317,919,042</b>	<b>\$ 348,405,445</b>	<b>\$ 346,731,154</b>
Business-type activities					
Net investment in capital assets	\$ 122,314,816	\$ 143,430,759	\$ 162,966,613	\$ 176,356,253	\$ 180,859,674
Restricted for:					
Use of impact fees	5,420,092	2,336,291	3,853,405	1,646,162	1,760,033
Debt service	2,060,200	2,391,615	1,146,486	3,248,974	3,707,091
Unrestricted	30,660,151	34,690,519	42,372,380	46,817,740	55,657,877
<b>Total business-type activities net position</b>	<b>\$ 160,455,259</b>	<b>\$ 182,849,184</b>	<b>\$ 210,338,884</b>	<b>\$ 228,069,129</b>	<b>\$ 241,984,675</b>
Primary government					
Net investment in capital assets	\$ 312,617,953	\$ 380,785,209	\$ 430,293,552	\$ 473,559,282	\$ 420,461,474
Restricted for:					
Use of impact fees	10,696,081	9,267,638	10,536,209	7,561,041	7,636,420
Highways and streets	-	-	-	-	40,323,951
Debt service	3,534,136	2,777,414	2,754,799	4,514,038	5,211,583
Other capital projects	-	-	-	-	-
Public Safety	-	-	-	-	-
Community development	-	-	-	-	-
Library	-	-	-	-	-
Cultural and recreation	-	-	-	-	-
Grants	242,563	117,354	-	-	-
Unrestricted	81,541,223	67,811,007	84,673,366	90,840,213	115,082,401
<b>Total primary governmental net position</b>	<b>\$ 408,631,956</b>	<b>\$ 460,758,622</b>	<b>\$ 528,257,926</b>	<b>\$ 576,474,574</b>	<b>\$ 588,715,829</b>

**Source:** Comprehensive Annual Financial Report

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

TABLE 1

Fiscal Year				
2009	2010	2011	2012	2013
\$ 285,415,013	\$ 290,201,450	\$ 284,785,050	\$ 274,618,286	\$ 279,952,868
5,849,676	2,027,269	4,061,242	4,549,816	6,700,810
42,770,468	33,628,327	31,376,277	26,796,515	26,406,329
1,812,651	588,843	219,454	888,855	1,285,455
-	-	-	36,259,889	46,153,392
-	-	-	573,763	803,777
-	-	-	309,242	513,456
-	-	-	168,894	242,609
-	-	-	6,371	16,109
-	62,137	65,005	452,431	425,968
59,851,643	61,441,941	64,368,362	42,284,705	41,729,688
<u>\$ 395,699,451</u>	<u>\$ 387,949,967</u>	<u>\$ 384,875,390</u>	<u>\$ 386,908,767</u>	<u>\$ 404,230,461</u>
\$ 171,936,373	\$ 206,148,786	\$ 208,847,556	\$ 218,424,139	\$ 233,112,767
2,083,128	2,537,464	2,704,125	5,025,467	8,806,302
4,151,257	4,625,915	4,980,679	5,324,601	5,528,516
89,351,500	63,541,978	74,128,202	78,188,714	77,348,628
<u>\$ 267,522,258</u>	<u>\$ 276,854,143</u>	<u>\$ 290,660,562</u>	<u>\$ 306,962,921</u>	<u>\$ 324,796,213</u>
\$ 457,351,386	\$ 496,350,236	\$ 493,632,606	\$ 493,042,425	\$ 513,065,635
7,932,804	4,564,733	6,765,367	9,575,283	15,507,112
42,770,468	33,628,327	31,376,277	26,796,515	26,406,329
5,963,908	5,214,758	5,200,133	6,213,456	6,813,971
-	-	-	36,259,889	46,153,392
-	-	-	573,763	803,777
-	-	-	309,242	513,456
-	-	-	168,894	242,609
-	-	-	6,371	16,109
-	62,137	65,005	452,431	425,968
149,203,143	124,983,919	138,496,564	120,473,419	119,078,316
<u>\$ 663,221,709</u>	<u>\$ 664,804,110</u>	<u>\$ 675,535,952</u>	<u>\$ 693,871,688</u>	<u>\$ 729,026,674</u>

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

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,502,994	\$ 11,891,231	\$ 14,655,266	\$ 16,703,632	\$ 24,836,791
Police	8,453,628	11,666,150	13,966,596	17,171,278	19,724,792
Fire	9,467,298	10,513,209	12,676,417	15,371,027	17,477,479
Libraries	2,171,326	2,381,996	2,497,842	2,624,278	2,753,427
Development	8,598,720	7,388,866	6,958,806	9,192,242	9,786,774
Parks and recreation	5,039,524	5,896,142	7,206,606	7,788,351	8,645,291
Public works	17,646,281	19,014,444	22,504,074.00	25,163,366	38,499,039
Other	3,102,824	-	-	-	-
Interest on long-term debt	4,585,441	4,784,081	5,059,203	8,108,639	7,980,156
Airport	1,440,169	1,150,965	3,218,089	614,282	8,541,987
<b>Total governmental activities expenses</b>	<u>65,008,205</u>	<u>74,687,084</u>	<u>88,742,899</u>	<u>102,737,095</u>	<u>138,245,736</u>
Business-type activities:					
Water/Wastewater	23,695,455	26,933,863	29,812,732	34,284,602	37,755,782
Solid Waste	3,251,727	3,928,218	3,939,969	4,625,896	5,492,531
Golf Course	1,112,196	1,070,936	1,031,145	963,658	971,187
Surface Water Drainage	320,919	400,622	48,944	25,000	63,944
<b>Total business-type activities expenses</b>	<u>28,380,297</u>	<u>32,333,639</u>	<u>34,832,790</u>	<u>39,899,156</u>	<u>44,283,444</u>
<b>Total primary government expenses</b>	<u>\$ 93,388,502</u>	<u>\$ 107,020,723</u>	<u>\$ 123,575,689</u>	<u>\$ 142,636,251</u>	<u>\$ 182,529,180</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for Services:					
General government	\$ 3,140,327	\$ 2,025,502	\$ 2,351,508	\$ 2,356,380	\$ 2,631,063
Police	118,293	1,488,554	1,320,381	1,737,930	3,771,316
Fire	611,379	1,383,419	1,295,885	985,641	1,475,731
Libraries	33,368	32,971	125,585	115,841	55,649
Development	6,587,926	6,821,159	7,407,719	5,410,173	4,283,881
Parks and recreation	532,230	557,662	894,362	929,376	1,020,734
Other	159,308	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Airport	-	-	-	-	-
Operating grants and contributions	14,139,287	3,117,815	2,555,338	1,829,116	1,731,674
Capital grants and contributions	26,983,492	32,856,489	38,605,660	33,563,709	29,065,497
<b>Total governmental activities program revenues</b>	<u>52,305,610</u>	<u>48,283,571</u>	<u>54,556,438</u>	<u>46,928,166</u>	<u>44,035,545</u>
Business-type activities:					
Charges for Services:					
Water/Wastewater	27,038,928	32,446,505	39,393,138	35,082,265	38,004,807
Solid Waste	3,402,953	5,539,419	6,369,958	6,430,735	6,719,134
Golf Course	954,446	932,279	965,268	811,557	918,519
Surface Water Drainage	480,998	517,383	552,162	622,531	1,586,333
Operating grants and contributions	40,636	50,400	-	-	-
Capital grants and contributions	18,132,041	12,821,901	15,124,649	13,160,529	10,891,962
<b>Total business-type activities program revenues</b>	<u>50,050,002</u>	<u>52,307,887</u>	<u>62,405,175</u>	<u>56,107,617</u>	<u>58,120,755</u>
<b>Total primary government program revenues</b>	<u>\$ 102,355,612</u>	<u>\$ 100,591,458</u>	<u>\$ 116,961,613</u>	<u>\$ 103,035,783</u>	<u>\$ 102,156,300</u>



TABLE 2

Fiscal Year				
2009	2010	2011	2012	2013
\$ 21,154,522	\$ 29,245,688	\$ 23,110,420	\$ 21,828,013	\$ 20,555,978
20,881,195	21,276,723	20,670,697	21,843,375	23,340,362
19,371,301	19,828,670	19,772,826	19,636,533	21,432,874
2,894,683	3,179,616	3,039,839	3,258,633	3,276,383
9,507,244	9,491,109	8,777,957	8,522,548	9,107,096
9,383,872	9,215,196	9,864,370	9,695,909	10,370,483
30,724,972	33,614,032	32,416,388	33,199,659	35,111,875
-	-	-	-	-
9,045,551	10,241,441	10,161,568	9,514,103	8,912,771
1,850,442	2,655,115	565,000	565,000	613,513
<u>124,813,782</u>	<u>138,747,590</u>	<u>128,379,065</u>	<u>128,063,773</u>	<u>132,721,335</u>
41,467,962	44,083,602	46,104,008	47,777,509	52,003,461
5,724,412	6,213,755	6,066,387	6,572,110	6,486,035
187,769	258,801	224,175	220,140	351,556
877,048	1,583,183	1,633,798	1,551,577	1,660,597
<u>48,257,191</u>	<u>52,139,341</u>	<u>54,028,368</u>	<u>56,121,336</u>	<u>60,501,649</u>
<u>\$ 173,070,973</u>	<u>\$ 190,886,931</u>	<u>\$ 182,407,433</u>	<u>\$ 184,185,109</u>	<u>\$ 193,222,984</u>
\$ 2,692,338	\$ 2,976,341	\$ 2,999,584	\$ 2,896,926	\$ 1,492,078
2,689,592	2,529,019	2,676,107	3,449,850	2,797,246
1,607,943	794,661	1,919,405	1,620,136	2,187,476
71,437	86,927	95,033	106,890	109,709
3,949,296	4,058,203	3,958,584	6,299,051	7,296,819
1,123,973	1,037,454	1,071,536	1,012,260	1,054,194
-	-	-	-	-
-	528,000	528,000	528,000	528,000
-	-	-	4,767	8,325
1,834,766	2,471,193	2,772,410	2,343,700	2,459,385
<u>63,619,883</u>	<u>20,349,634</u>	<u>12,986,318</u>	<u>20,325,797</u>	<u>27,495,901</u>
<u>77,589,228</u>	<u>34,831,432</u>	<u>29,006,977</u>	<u>38,587,377</u>	<u>45,429,133</u>
45,499,621	48,117,477	57,185,108	54,717,547	56,832,659
6,372,156	6,000,135	6,836,486	6,763,746	6,874,406
79,451	82,026	110,257	115,177	116,227
1,684,830	1,751,066	1,795,342	1,880,951	1,898,269
-	-	-	-	-
<u>21,663,743</u>	<u>7,106,651</u>	<u>3,483,388</u>	<u>10,797,849</u>	<u>14,745,211</u>
<u>75,299,801</u>	<u>63,057,355</u>	<u>69,410,581</u>	<u>74,275,270</u>	<u>80,466,772</u>
<u>\$ 152,889,029</u>	<u>\$ 97,888,787</u>	<u>\$ 98,417,558</u>	<u>\$ 112,862,647</u>	<u>\$ 125,895,905</u>

(continued)

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Net (Expenses) Revenue</b>					
Governmental activities	\$ (12,702,595)	\$ (26,403,513)	\$ (34,186,461)	\$ (55,808,929)	\$ (94,210,191)
Business-type activities	21,669,705	19,974,248	27,572,385	16,208,461	13,837,311
Total primary government net expenses	<u>\$ 8,967,110</u>	<u>\$ (6,429,265)</u>	<u>\$ (6,614,076)</u>	<u>\$ (39,600,468)</u>	<u>\$ (80,372,880)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Property taxes	\$ 34,354,015	\$ 38,367,588	\$ 43,300,502	\$ 49,300,666	\$ 57,707,103
Sales and use taxes	9,572,791	12,179,328	14,030,309	16,189,172	17,683,376
Franchise taxes	5,907,349	6,918,032	8,661,620	8,462,571	9,633,525
Investment income	1,522,920	2,513,508	5,455,210	7,882,249	4,950,865
Gain on sale of capital assets	55,508	80,482	-	-	-
Miscellaneous	-	62,581	44,291	119,323	273,109
Contributions	-	(6,027,093)	-	-	-
Transfers	3,167,306	2,041,828	2,704,133	2,483,516	2,287,922
Prior period adjustment	-	-	-	1,857,835	-
<b>Total governmental activities</b>	<u>54,579,889</u>	<u>56,136,254</u>	<u>74,196,065</u>	<u>86,295,332</u>	<u>92,535,900</u>
Business-type activities:					
Investment income	889,810	1,164,701	2,621,448	3,688,586	2,315,647
Gain on sale of capital assets	(313,001)	24,808	-	32,147	50,510
Contributions	-	3,271,996	-	-	-
Transfers	(3,167,306)	(2,041,828)	(2,704,133)	(2,483,516)	(2,287,922)
Prior period adjustment	-	-	-	284,567	-
<b>Total business-type activities</b>	<u>(2,590,497)</u>	<u>2,419,677</u>	<u>(82,685)</u>	<u>1,521,784</u>	<u>78,235</u>
<b>Total primary government</b>	<u>\$ 51,989,392</u>	<u>\$ 58,555,931</u>	<u>\$ 74,113,380</u>	<u>\$ 87,817,116</u>	<u>\$ 92,614,135</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 41,877,294	\$ 29,732,741	\$ 40,009,604	\$ 30,486,403	\$ (1,674,291)
Business-type activities	19,079,208	22,393,925	27,489,700	17,730,245	13,915,546
<b>Total primary government</b>	<u>\$ 60,956,502</u>	<u>\$ 52,126,666</u>	<u>\$ 67,499,304</u>	<u>\$ 48,216,648</u>	<u>\$ 12,241,255</u>

Source: Comprehensive Annual Financial Report

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

**TABLE 2**

<b>Fiscal Year</b>				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ (47,224,554)	\$ (103,916,158)	\$ (99,372,088)	\$ (89,476,396)	\$ (87,292,202)
27,042,610	10,918,014	15,382,213	18,153,934	19,965,123
<u>\$ (20,181,944)</u>	<u>\$ (92,998,144)</u>	<u>\$ (83,989,875)</u>	<u>\$ (71,322,462)</u>	<u>\$ (67,327,079)</u>
\$ 62,815,581	\$ 63,172,075	\$ 62,862,038	\$ 64,193,735	\$ 65,707,908
17,124,800	16,868,201	17,265,587	18,392,901	20,364,397
9,724,093	10,794,251	12,050,388	12,051,980	12,759,298
2,764,578	2,378,612	1,664,055	846,135	334,465
37,016	-	-	-	-
892,940	175,614	257,395	618,827	2,593,617
-	-	-	-	-
2,833,843	2,643,302	2,643,302	2,798,302	2,854,211
-	-	-	-	-
<u>96,192,851</u>	<u>96,032,055</u>	<u>96,742,765</u>	<u>98,901,880</u>	<u>104,613,896</u>
1,318,112	1,031,169	1,020,661	924,457	662,230
10,704	(37,436)	46,847	22,270	60,150
-	-	-	-	-
(2,833,843)	(2,643,302)	(2,643,302)	(2,798,302)	(2,854,211)
-	-	-	-	-
<u>(1,505,027)</u>	<u>(1,649,569)</u>	<u>(1,575,794)</u>	<u>(1,851,575)</u>	<u>(2,131,831)</u>
<u>\$ 94,687,824</u>	<u>\$ 94,382,486</u>	<u>\$ 95,166,971</u>	<u>\$ 97,050,305</u>	<u>\$ 102,482,065</u>
\$ 48,968,297	\$ (7,884,103)	\$ (2,629,323)	\$ 9,425,484	\$ 17,321,694
25,537,583	9,268,445	13,806,419	16,302,359	17,833,292
<u>\$ 74,505,880</u>	<u>\$ 1,384,342</u>	<u>\$ 11,177,096</u>	<u>\$ 25,727,843</u>	<u>\$ 35,154,986</u>
				(concluded)

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Non-spendable:					
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-	-
Land held for sale	-	-	-	-	-
Note receivable from component unit	-	-	-	-	-
Assigned:					
Insurance risk	-	-	-	-	-
OPEB	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved for:					
Inventory and prepaid items	82,878	573,578	523,923	764,432	885,780
Advance to other funds	850,000	1,005,000	725,000	725,000	589,000
Note receivable from component unit	1,715,000	2,135,000	1,695,000	1,240,000	775,000
Designated					
Insurance risk	-	-	3,682,374	2,472,273	2,291,879
Unreserved	26,490,722	31,615,982	38,086,490	40,316,555	39,998,634
<b>Total general fund</b>	<b><u>\$29,138,600</u></b>	<b><u>\$35,329,560</u></b>	<b><u>\$44,712,787</u></b>	<b><u>\$ 45,518,260</u></b>	<b><u>\$ 44,540,293</u></b>
All Other Governmental Funds					
Non-spendable:					
Prepaid items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted:					
Debt service	-	-	-	-	-
Street construction	-	-	-	-	-
Other capital projects funds	-	-	-	-	-
Law enforcement	-	-	-	-	-
Fire	-	-	-	-	-
Library	-	-	-	-	-
Community housing	-	-	-	-	-
Veterans Memorial Park	-	-	-	-	-
Hotel/Motel	-	-	-	-	-
Grants	-	-	-	-	-
Reserved for:					
Prepaid items	5,370	6,807	1,520	7,499	13,586
Debt service	1,473,936	960,697	1,737,689	2,054,266	2,494,512
Street construction	34,733,654	38,621,728	58,313,044	57,071,884	40,323,951
Capital projects funds	12,805,731	22,606,722	16,686,851	23,877,681	29,569,488
Unreserved, reported in:					
Special revenue funds	1,524,448	2,878,919	3,248,852	2,850,885	2,782,428
<b>Total all other governmental funds</b>	<b><u>\$50,543,139</u></b>	<b><u>\$65,074,873</u></b>	<b><u>\$79,987,956</u></b>	<b><u>\$ 85,862,215</u></b>	<b><u>\$ 75,183,965</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 193,885	\$ 210,392
-	-	-	304,556	295,637
-	-	-	315,194	-
-	-	-	1,647,500	287,500
-	-	-	-	-
-	-	-	1,692,681	1,855,500
-	-	-	46,207,763	48,144,225
1,054,833	941,699	-	-	-
-	-	-	-	-
10,355,000	4,102,500	2,917,500	-	-
1,600,559	1,600,559	1,600,559	-	-
28,838,279	33,023,643	37,448,127	-	-
<u>\$ 41,848,671</u>	<u>\$ 39,668,401</u>	<u>\$ 41,966,186</u>	<u>\$ 50,361,579</u>	<u>\$ 50,793,254</u>
\$ -	\$ -	\$ 423,897	\$ 18,976	\$ 16,174
-	-	1,261,454	1,719,641	2,240,054
-	-	31,356,277	31,346,331	33,107,139
-	-	36,523,123	36,259,889	46,153,392
-	-	164,887	549,780	768,113
-	-	26,858	23,983	35,664
-	-	384,855	168,894	242,609
-	-	65,005	56,485	90,025
-	-	-	6,371	16,109
-	-	-	309,242	513,456
-	-	150,292	395,946	335,943
736,658	570,994	-	-	-
2,734,212	1,891,142	-	-	-
42,247,778	33,628,327	-	-	-
34,402,903	45,431,706	-	-	-
2,208,805	1,975,456	-	-	-
<u>\$ 82,330,356</u>	<u>\$ 83,497,625</u>	<u>\$ 70,356,648</u>	<u>\$ 70,855,538</u>	<u>\$ 83,518,678</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>REVENUES</b>					
Property taxes	\$ 34,421,989	\$ 38,209,386	\$ 43,188,169	\$ 49,491,145	\$ 57,723,642
Sales and use taxes	9,572,791	12,179,328	14,030,309	16,189,172	17,683,376
Franchise taxes	5,895,958	6,918,032	9,549,688	8,526,059	9,591,738
Licenses and permits	6,458,368	7,030,562	7,646,826	5,651,313	5,011,193
Intergovernmental	1,760,457	3,481,247	4,432,442	6,077,805	5,700,988
Charges for services	2,943,591	3,023,716	4,019,262	4,140,201	4,353,096
Fines and forfeitures	1,058,231	985,833	1,383,144	1,777,098	2,220,418
Assessments	-	-	-	-	-
Investment income	1,522,920	2,513,508	5,455,210	7,882,249	5,343,879
Contributions	7,017,011	11,210,592	13,233,500	5,332,359	8,102,152
Miscellaneous	7,909,483	154,034	187,019	149,371	436,393
<b>Total revenues</b>	<b>78,560,799</b>	<b>85,706,238</b>	<b>103,125,569</b>	<b>105,216,772</b>	<b>116,166,875</b>
<b>EXPENDITURES</b>					
General government	9,740,384	10,887,570	13,412,203	14,913,949	16,966,335
Police	10,544,857	11,028,188	13,247,346	16,273,783	18,860,105
Fire	8,907,146	9,729,318	11,919,118	14,473,038	16,227,513
Libraries	2,089,776	2,138,239	2,233,304	2,349,242	2,489,144
Development	4,055,123	7,223,146	6,638,554	9,305,154	9,457,015
Parks and recreation	4,266,251	4,776,586	5,785,330	5,945,941	6,733,160
Public works	7,302,929	6,535,672	9,145,253	9,964,055	21,786,333
Airport	1,440,169	650,000	3,614,677	614,282	8,541,987
Other	3,063,074	-	-	-	-
Capital outlay	33,324,468	34,561,215	41,031,431	35,697,217	50,500,331
Debt service:					
Principal retirement	5,161,938	6,889,362	6,168,369	6,722,708	8,370,008
Interest and fiscal charges	4,233,691	4,466,476	5,354,320	7,459,981	7,677,731
<b>Total expenditures</b>	<b>94,129,806</b>	<b>98,885,772</b>	<b>118,549,905</b>	<b>123,719,350</b>	<b>167,609,662</b>
Excess (deficiency) of revenues over (under) expenditures	(15,569,007)	(13,179,534)	(15,424,336)	(18,502,578)	(51,442,787)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	25,930,904	31,705,000	64,015,000	20,490,000	37,205,000
Deposit to escrow account	-	-	(27,926,115)	-	-
Premium on issuance of debt	-	411,233	347,801	56,933	-
Proceeds from capital lease	-	-	379,683	-	-
Residual equity transfers	-	-	-	-	-
Proceeds from sale of property	79,254	241,065	30,897	294,026	293,648
Transfers in	7,419,827	5,132,157	4,979,364	6,460,890	4,662,194
Transfers in from component unit	-	-	-	-	-
Transfers out	(4,248,454)	(3,587,227)	(2,105,984)	(3,977,374)	(2,374,272)
<b>Total other financing sources (uses)</b>	<b>29,181,531</b>	<b>33,902,228</b>	<b>39,720,646</b>	<b>23,324,475</b>	<b>39,786,570</b>
Prior period adjustment	-	-	-	-	1,857,835
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 13,612,524</b>	<b>\$ 20,722,694</b>	<b>\$ 24,296,310</b>	<b>\$ 4,821,897</b>	<b>\$ (9,798,382)</b>
Debt service as a percentage of noncapital expenditures	15.5%	17.7%	14.9%	16.1%	13.7%

Source: Comprehensive Annual Financial Report

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

TABLE 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ 62,832,495	\$ 62,960,439	\$ 62,717,460	\$ 64,194,518	\$ 66,252,931
17,124,800	16,926,949	17,265,587	18,342,838	20,335,968
9,759,548	10,731,125	11,941,486	12,113,230	12,725,594
4,726,614	4,809,193	4,692,292	7,204,700	8,154,941
15,403,491	4,400,346	5,861,390	5,656,795	5,832,483
4,867,661	5,846,806	6,040,354	5,892,485	4,957,547
2,276,354	1,990,092	2,183,023	2,507,707	2,499,512
-	-	-	-	-
2,741,843	2,387,670	1,284,718	846,135	330,063
14,668,141	6,000,759	5,224,780	7,438,881	10,030,426
856,806	255,221	265,146	661,477	282,923
<u>135,257,753</u>	<u>116,308,600</u>	<u>117,476,236</u>	<u>124,858,766</u>	<u>131,402,388</u>
19,366,493	22,098,360	20,785,693	19,020,719	19,336,330
19,923,024	20,145,964	19,655,184	20,285,700	22,036,551
17,894,488	17,959,131	17,930,235	17,302,735	19,409,153
2,638,350	2,909,708	2,781,727	2,775,484	2,826,451
9,185,580	9,159,668	8,512,495	8,119,293	8,750,307
7,399,164	7,145,909	7,275,824	6,954,994	7,504,161
12,275,920	13,286,420	10,610,792	10,882,395	11,097,574
1,850,442	2,655,115	565,000	565,000	613,513
-	-	-	-	-
52,493,363	29,483,890	22,264,775	13,503,040	16,299,213
9,905,035	10,848,562	9,980,000	10,390,000	10,755,000
9,008,269	9,679,110	10,254,116	9,466,819	8,823,139
<u>161,940,128</u>	<u>145,371,837</u>	<u>130,615,841</u>	<u>119,266,179</u>	<u>127,451,392</u>
<u>(26,682,375)</u>	<u>(29,063,237)</u>	<u>(13,139,605)</u>	<u>5,592,587</u>	<u>3,950,996</u>
28,210,000	25,295,000	-	14,670,000	24,925,000
-	-	-	(16,685,444)	(21,716,799)
-	-	-	2,127,248	3,019,430
-	-	-	-	-
-	-	-	-	-
93,301	111,934	105,911	205,236	61,977
4,813,797	3,548,163	3,385,024	4,505,981	9,866,340
-	-	-	-	-
<u>(1,979,954)</u>	<u>(904,861)</u>	<u>(741,722)</u>	<u>(1,707,679)</u>	<u>(7,012,129)</u>
<u>31,137,144</u>	<u>28,050,236</u>	<u>2,749,213</u>	<u>3,115,342</u>	<u>9,143,819</u>
-	-	-	-	-
<u>\$ 4,454,769</u>	<u>\$ (1,013,001)</u>	<u>\$ (10,390,392)</u>	<u>\$ 8,707,929</u>	<u>\$ 13,094,815</u>
17.3%	17.7%	18.7%	18.8%	17.6%

**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>
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	0.59800
2006	4,968,430,438	1,930,626,833	1,148,679,747	959,983,795	7,087,753,223	0.59300
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	0.58800
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	0.58550
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,113,059,042	10,778,425,163	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,069,689,217	10,784,701,943	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,053,445,216	10,931,670,279	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,138,054,947	11,035,645,222	0.58550

**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 it's market value. Tax rates are per \$100 of assessed value.

<sup>a</sup> Includes adjustments to certified rolls  
 Fiscal Year reports Certified Tax Report from prior calendar year

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

**TABLE 6**

Fiscal Year	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	Obligation Debt Service	Total Direct	McKinney	Allen	Frisco	Melissa	Prosper	Love Joy	Collin County	Collin College District
				Independent School District	Independent School District	Independent School District	Independent School District	Independent School District	Independent School District		
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
2012	0.41220	0.17330	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.86299
2013	0.42179	0.16371	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364

Source: Collin Central Appraisal District

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

**TABLE 7**

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

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

**Notes:** <sup>a</sup> Taxpayers are assessed on January 1, 2012 (2011 tax year) for the 2013 fiscal year.

<sup>b</sup> Taxpayers are assessed on January 1, 2003 (2002 tax year) for the 2004 fiscal year.

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

**TABLE 8**

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of levy		Amount	Percentage of levy
2004	\$ 34,011,588	\$ 33,452,893	98.36%	\$ 534,760	\$ 33,987,653	99.93%
2005	37,763,635	37,039,384	98.08%	718,300	37,757,684	99.98%
2006	42,686,986	41,731,410	97.76%	894,750	42,626,160	99.86%
2007	48,607,924	47,974,805	98.70%	573,378	48,548,183	99.88%
2008	56,776,558	56,166,777	98.93%	582,074	56,748,851	99.95%
2009	62,280,815	61,576,965	98.87%	617,636	62,194,601	99.86%
2010	62,486,523	61,922,528	99.10%	472,060	62,394,588	99.85%
2011	62,492,355	61,901,919	99.06%	468,167	62,370,086	99.80%
2012	63,379,911	63,014,520	99.42%	247,615	63,262,135	99.81%
2013	64,503,109	64,302,483	99.69%	-	64,302,483	99.69%

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

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**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			
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	8.55%	2,409
2011	145,415,000	72,310,000	4,931,501	78,635,000	397,025	301,688,526	7.25%	2,258
2012	140,685,000	64,990,000	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004

**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**

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Certificates of Obligation	Total		
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	2.11%	1,737
2011	145,415,000	72,310,000	217,725,000	2.02%	1,629
2012	140,685,000	64,990,000	205,675,000	1.88%	1,512
2013	132,770,000	65,835,000	198,605,000	1.80%	1,410

**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.

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

**TABLE 11**

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	0.5930	0.5880	0.5880	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855
Available Tax Rate	<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>	<u>\$ 1.91</u>	<u>\$ 1.91</u>

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

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**CITY OF MCKINNEY, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2013 (UNAUDITED)**

**TABLE 12**

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable <sup>a</sup>	McKinney Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
McKinney ISD	\$ 451,930,000	89.884%	\$ 406,213,887
Collin College District	37,694,246	14.411%	5,432,042
Collin County	393,350,000	14.402%	56,648,577
Allen ISD	513,612,989	4.248%	21,816,835
Frisco ISD	1,505,382,454	13.155%	198,027,103
Melissa ISD	103,696,284	0.010%	10,237
Prosper ISD	233,531,557	19.878%	46,422,543
Lovejoy ISD	135,435,472	0.949%	1,285,291
Subtotal, overlapping debt	<u>\$3,374,633,002</u>		<u>\$ 735,856,513</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>\$ 953,581,513</u></u>

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

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

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

**TABLE 13**

<b>Water and Sewer System Revenue Bonds</b>					
<b>Fiscal Year</b>	<b>Total Revenues<sup>a</sup></b>	<b>Less: Operating Expenses<sup>b</sup></b>	<b>Net Available Revenue</b>	<b>Annual Requirement<sup>c</sup></b>	<b>Times Coverage</b>
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
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50

**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)

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**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>
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	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%

**Sources:** <sup>a</sup> Source Data: US Census Bureau

(data compiled every 10 years from 2003-2010 and annually beginning 2011)

<sup>b</sup> Personal income calculated by multiplying estimated population by per capita personal income.

<sup>c</sup> Source Data: McKinney Independent School District

<sup>d</sup> Source Data: Texas Workforce Commission for month ending September

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

**TABLE 15**

Employer	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Raytheon TI Systems Inc	3,600	1	5.41%	2,000	1	7.61%
McKinney ISD	3,400	2	5.11%	1,687	2	6.42%
Collin County	1,800	3	2.71%	1,370	4	5.21%
Torchmark / United American Ins. (TMK)	1,100	4	1.65%	750	5	2.85%
Encore Wire Corp.	1,000	5	1.50%	-	-	-
Medical Center of McKinney	938	6	1.41%	-	-	-
City of McKinney	897	7	1.35%	720	6	2.74%
Watson & Chalin	800	8	1.20%	607	7	2.31%
Collin College	600	9	0.90%	393	8	1.49%
Baylor Medical Center	550	10	0.83%	-	-	-
Blockbuster Entertainment Group	-	-	-	1,415	3	5.38%
Timber Blind Manufacturing	-	-	-	330	9	1.26%
United American Insurance	-	-	-	280	10	1.06%
<b>Total</b>	<b>14,685</b>		<b>22.07%</b>	<b>9,552</b>		<b>36.33%</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**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS (UNAUDITED)**

**TABLE 16**

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	57.0	62.5	71.0	80.5	88.5	90.5	104.5	103.0	95.5	95.5
Police	128.5	142.0	157.0	173.0	192.0	203.0	208.0	207.0	206.0	213.0
Fire	106.2	111.2	129.2	147.2	166.2	167.2	167.2	167.7	164.5	167.5
Libraries	29.0	28.0	30.1	31.1	31.1	38.7	37.7	35.3	32.8	38.0
Development	81.6	81.1	95.1	109.1	114.6	112.6	105.1	93.6	81.1	78.1
Parks and recreation	62.0	64.0	74.5	81.5	83.5	84.5	81.5	84.0	85.0	87.0
Public works	38.8	43.8	56.3	57.8	67.0	60.7	61.7	61.7	61.7	61.4
Water/wastewater	58.0	62.0	64.0	69.0	77.3	79.7	77.7	74.7	74.7	73.0
Surface water drainage	1.0	1.0	-	-	-	11.0	11.0	11.0	11.0	11.0
Solid Waste	5.5	5.5	3.5	4.0	9.0	10.0	12.0	12.0	12.0	12.0
<b>Total<sup>a</sup></b>	<b>567.6</b>	<b>601.1</b>	<b>680.7</b>	<b>753.2</b>	<b>829.2</b>	<b>857.8</b>	<b>866.4</b>	<b>850.0</b>	<b>824.3</b>	<b>836.5</b>

**Source:** City of McKinney Budget Book

<sup>a</sup> Excludes: Collin County Airport (CCADC), Economic Development (MEDC), Community Development (MCDC) and Visitor's Bureau (MCVB) employees

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Number of police officers	113	124	136	149	158
Number of violations (citations) <sup>a</sup>	16,412	15,367	23,779	22,413	27,804
Fire					
Number of fire fighters	94	94	130	149	150
Number of fire suppression runs	2,200	2,300	2,550	2,750	2,950
Number of EMS runs	4,056	4,400	4,923	5,500	6,100
Development Services					
Construction permits issued <sup>b</sup>	8,875	8,945	11,296	6,970	5,539
Estimated valuation <sup>b</sup>	\$507,567,356	\$713,222,782	\$785,799,209	\$601,907,826	\$480,774,997
Public Works					
Streets paved (miles)	9	10	8	8	8
Street signs repaired/installed	712	1,200	1,872	1,876	2,000
Parks and Recreation					
Park land and municipal acreage maintained	960	1,000	1,100	1,144	1,566
Rounds of golf	36,164	36,592	37,500	35,000	35,878
Library					
Volumes in collection <sup>c</sup>	100,894	112,612	123,828	136,054	149,406
Annual circulation	509,341	600,147	627,664	630,000	652,675
Water and Wastewater					
Number of water customers	29,073	31,723	34,901	38,200	39,590
Average daily water consumption (millions of gallons)	17.6	18.2	23.5	19.3	23.2
Maximum storage capacity (million of gallons)	14.0	20.0	22.0	42.0	42.0
Solid Waste					
Recyclables collected (tons)	3,951	4,543	10,534	15,120	17,145
Solid waste collected (tons)	102,657	113,251	119,995	123,150	129,310

Source: City Departments

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

TABLE 17

Fiscal Year				
2009	2010	2011	2012	2013
161	161	161	161	187
30,623	33,729	18,754 <sup>a</sup>	17,366	14,944
151	151	151	153	159
3,109	3,239	3,598	2,883	3,536
6,800	7,100	6,180	6,936	6,554
4,154	3,816	4,316	6,461	5,607
\$772,318,950	\$533,916,212	\$469,799,412	\$722,830,462	\$843,390,781
9	9	11	15	13
2,500	2,500	1,671	1,260	1,299
1,566	1,566	1,708	1,834	1,834
36,000	35,000	33,064	34,400	35,121
177,800	210,000	219,704	227,585	232,814
660,000	900,000	1,095,739	1,179,539	1,205,789
40,498	41,853	42,946	44,644	46,791
23.0	22.7	28.5	28.5	26.7
44.0	44.0	44.0	44.0	44.0
17,670	13,438	13,572	10,972	12,550
135,026	121,565	114,936	117,586	124,488

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

**TABLE 18**

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units <sup>a</sup>	35	35	46	46	65	82	110	120	120	126
Motorcycle Units	3	8	7	8	11	9	8	8	8	7
Skywatch Towers	-	-	-	-	-	-	1	2	2	2
Fire										
Stations	5	5	5	6	6	7	8	8	8	8
Public Works										
Streets-Paved (miles)	453.0	453.0	594.0	623.0	625.0	625.0	739.7	745.6	755.4	760.9
Streets-Graded (miles)	39.0	39.0	39.0	39.0	39.0	39.0	16.0	16.0	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)	163.0	163.0	80.0	80.0	80.0	80.0	78.0	78.0	78.0	71.2
Street lights (Including US 75)	4,038	4,200	4,612	4,662	4,760	4,760	4,760	5,901	5,901	6,147
Parks and Recreation										
Park Acreage	1,047	1,200	1,303	1,674	1,862	2,025	2,025	2,025	2,082	2,432
Public Parks	28	28	31	32	34	36	36	36	39	40
Municipal Golf Course <sup>b</sup>	1	1	1	1	1	1	1	1	1	1
Community/Recreation Centers	3	3	3	3	3	3	3	3	3	3
Public Swimming Pools	3	3	3	3	3	3	3	3	3	3
Baseball/Softball Diamonds	22	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	2	2	2	2	2	13	13
Soccer Fields (regulation size)	9	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	1	1	1	1	1	2	2	2
Ice Rink <sup>b</sup>	-	-	-	-	-	-	1	1	1	1
Library	1	1	1	1	1	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	14.0	20.0	22.0	42.0	42.0	44.0	44.0	44.0	44.0	46.0
Water Mains (miles)	405.0	534.0	624.0	680.0	737.0	765.0	770.0	787.0	806.0	820.0
Fire Hydrants	4,621	4,879	5,525	6,100	6,529	7,388	6,688	7,007	7,473	7,734
Storm Sewer (miles)	154.0	203.0	203.0	213.0	257.0	257.0	257.0	266.0	396.0	406.0
Sanitary Sewers (miles)	347.0	459.0	502.0	520.0	582.0	605.0	610.0	630.0	620.0	662.0
Airport										
Dedicated airport property (acres)	581	581	661	661	661	661	745	745	745	745
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150

Source: City Departments

Note: <sup>a</sup> Per Police Department  
<sup>b</sup> City owned, privately operated