CITY OF

McKINNEY

Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2017

AS PREPARED BY

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CITY OF MCKINNEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

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INTRODUCTORY SECTION

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February 15, 2018

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, 2017, is hereby submitted in accordance with Section 46 of the City Charter.

This report provides 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. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

BKD, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of McKinney's financial statements for the year ended September 30, 2017. 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 the two should be read in conjunction with each other.

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 68 square miles and serves a population of approximately 179,804 as of January 2018. 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, airport, 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 includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as these separate legal entities: the McKinney Urban Transit District and the Housing Finance Corporation. These entities are reported as governmental activities. Additionally, the financial statements include McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS). These separate legal entities are reported as discrete component units on the government-wide statements.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The US Census currently estimates McKinney's population at 179,804. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 37% and 233%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota Motor Company's Corporate Headquarters, State Farm Insurance Company's Regional Offices, Liberty Mutual Insurance and the Dallas Cowboys Star Development. These major employers in Collin County create a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 69% since fiscal year 2010.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes: Raytheon, Encore Wire, Emerson Process Management, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., Watson & Chalin, UPS, Hisun Motors, Wistron Green Tech, PACCAR, Independent Bank, and Service First Mortgage.

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 169-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

In February 2015, City Council formally adopted its first ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. Both plans are updated and reviewed annually by Council during the budget process.

In 2016, the City completed a long term water/wastewater rate study that included the capital improvement needs in the foreseeable future. This study made rate suggestions that were adopted by the City Council, and are revisited on an annual basis during the budget process.

GENERAL FUND LONG-TERM FINANCIAL PLAN

This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN

During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan and the water/wastewater rate study. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.
approved debt policy and the General Obligation Debt Service ten-year financial plan.

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 the 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.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

The City of McKinney undertakes major initiatives based on City Council goals and strategies, dubbed as "McKinney First." These are the building blocks for McKinney's success.

MAXIMIZING THE POTENTIAL OF THE MCKINNEY NATIONAL AIRPORT

The City of McKinney is devoted to growing the present and future economic wealth within the City, and the McKinney National Airport is a driving force in keeping pace with the economic trends in North Texas. In 2017, the City completed construction of a new airplane parking ramp and initiated several other projects to include a master plan update, a 10,000 square-foot transient hangar, and a new terminal/hangar project with the financial assistance of MEDC and MCDC. The master plan identified the need for additional land surrounding the airport, leading the City to approve the purchase of approximately 190 acres in early fiscal 2018.

DIRECTION FOR STRATEGIC AND ECONOMIC GROWTH

The City of McKinney, in partnership with MEDC and MCDC, provide development incentive agreements to businesses that will improve the economic and social well-being of its citizens. Major projects incentivized by the City in 2017 include, a mixed used development with public parking in downtown known as "Davis at the Square", a 45,000 square-foot class A office building for the new corporate headquarters of Playful Corp, and 33,000 square-foot upscale lifestyle hotel and conference center known as the "Craig Ranch Hotel".

ENHANCE THE QUALITY OF LIFE IN MCKINNEY

In March 2017 the City opened doors to its first aquatics and fitness center known as the Apex Centre. The City and MCDC teamed up to build this 80,000 square-foot facility which includes an indoor competition pool, indoor and outdoor leisure waters, supervised playroom, classrooms and party rooms.

OPERATIONAL EXCELLENCE

The City of McKinney holds transparency to be one of its highest values in achieving operational excellence. The city offers substantial transparency measures in an ongoing effort to provide a more open government, and continues to add more ways residents can learn about city activities. The City maintains a transparency page on its website which offers news, projects, financial information, agendas, legal updates, hot topics, and other initiatives in one location. The site also includes an interactive financial reporting tool and a performance insight tracking tool to show how city departments are performing against City Council and department goals.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2016-17, major project initiatives for the City of McKinney included completion of the Apex Centre, reconstruction of the airplane parking ramp at McKinney National Airport, rehab of NRCS Lake 2A, street extension of Lake Forest from Wilmeth to Bloomdale, and a new 10 million gallon ground storage tank for University Pump Station. Significant progress was made on Fire Station #9 and Phase 3 of the Public Safety Building. In addition, design and construction continued for various water and street improvements throughout the City.

For Fiscal Year 2017-18, major project initiatives for the City of McKinney will include completion of Fire Station #9 and Phase 3 of the Public Safety Building. Design and construction will begin on a new 40,000 square-foot hangar, terminal building, and parking lot at McKinney National Airport. Construction will begin on the Gabe Nesbitt Tennis Center expansion and several other parks projects are set to be completed - the new special needs playground at Bonnie Wenk, replacement of playground equipment at Towne Lake and the Community Center, and the addition of three new trails. Numerous street and water/wastewater improvement projects are moving forward to support population expansion as well as addressing some of our aging infrastructure needs.

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, 2016. This was the thirty-third 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, 2016. This is the thirty-third 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.

Also in 2017, McKinney earned five Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances, Debt Obligations, Contracts and Procurement, Economic Development, and Public Pensions. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts. The Texas comptroller received one hundred and fifteen applications from local entities, of which only five received the maximum five Transparency Stars.

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. 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,

Mark Holloway
Chief Financial Officer

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City of McKinney

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Executive Director/CEO

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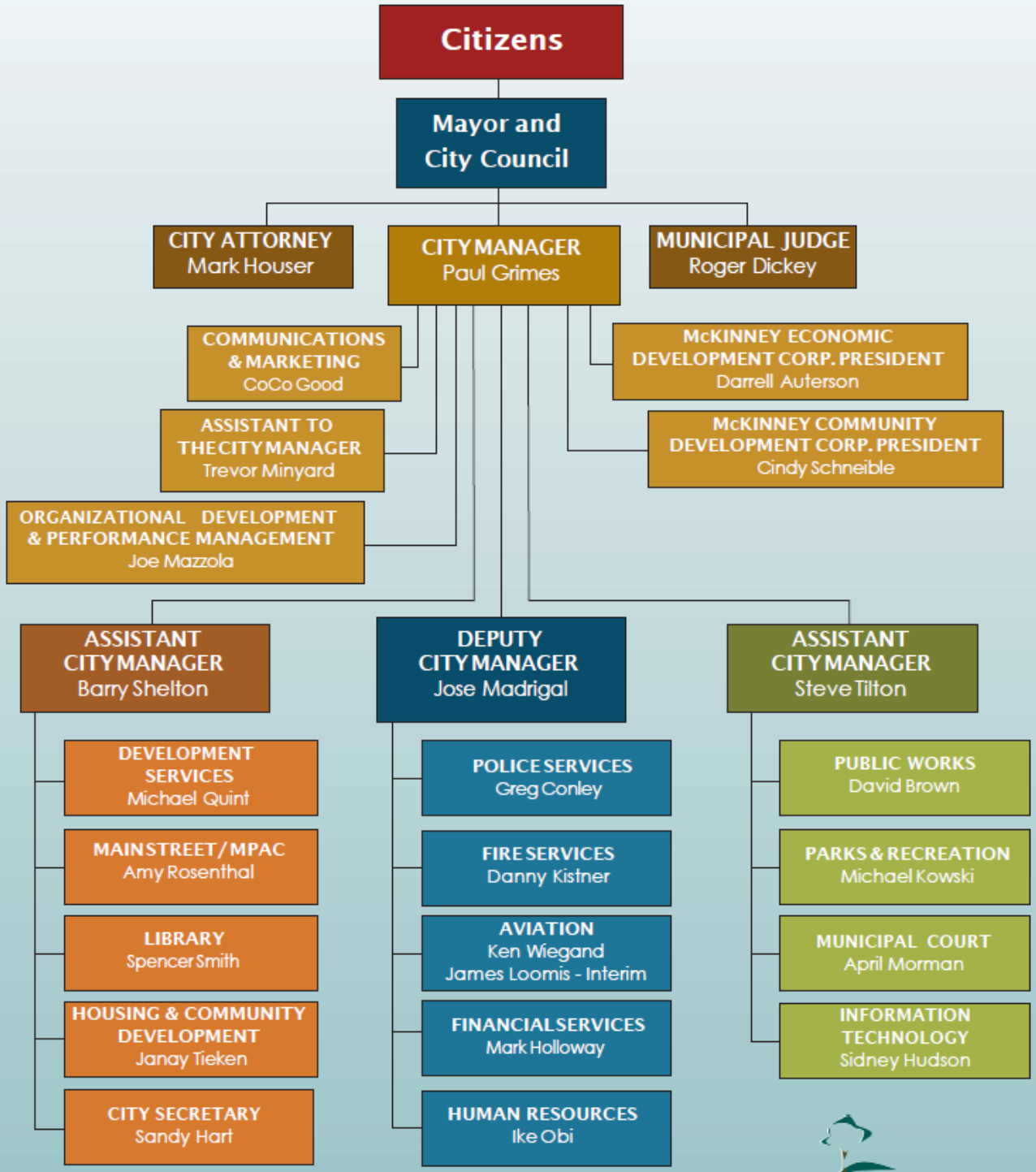
CITY OF McKINNEY

ORGANIZATIONAL CHART

(AS OF 09-30-2017)



CITY OF McKINNEY, TEXAS
CITY OFFICIALS

CITY COUNCIL

George Fuller, Mayor
Rainey Rogers, Mayor Pro-Tem
La'Shadion Shemwell
Scott Elliott
Tracy Rath
Chuck Branch
Charlie Philips

CITY MANAGER

Paul Grimes

DEPUTY CITY MANAGER

Jose Madrigal

ASSISTANT CITY MANAGERS

Barry Shelton
Steve Tilton

CHIEF FINANCIAL OFFICER

Mark Holloway

FINANCIAL SECTION

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BKD LLP
CPAs & Advisors

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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, the 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, 2017, 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 financial statements are free from material misstatement.

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

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

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance 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, pension and other postemployment benefit information listed in the table of contents 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and budgetary comparison 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018, 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 City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
February 15, 2018

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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, 2017. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2017, by $1,077 million (Net Position). Of this amount, $796 million (74%) 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 $112 million (10%). The remaining $169 million (16%) is 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 $154 million. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by $36 million.

- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $249 million, an increase of $19 million in comparison to the prior year. Approximately $62 million, or 25%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).

- Within the combined fund balances, $3.4 million is nonspendable for inventory and prepaid items. Fund balance is restricted in the amounts of $4.6 million for debt service, $152.2 million is for street construction and other capital projects, and $5.8 million for courts, grants, and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of $3.3 million for other postemployment benefits (OPEB), $16.8 million for capital equip replacement, $0.5 million for disaster relief, and $0.4 million for public and performing arts. The remaining $62 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 50% of total general fund expenditures. This represents 25% more than the fund balance policy requirement of 25%.

- On a government-wide basis, the City's total liabilities increased by $20 million or 4.5% during the current fiscal year. Major contributable factors include debt issuances and refundings netting a $14.5 million increase to bonds payable, and an increase in employment liabilities of pension, OPEB and compensated absences totaling $4.7 million.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 – McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau, and McKinney Main Street. 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 including internal service funds, and fiduciary funds.

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

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

The City of McKinney maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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, capital projects fund, nonmajor special revenue funds, and the nonmajor capital projects fund. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-22.

- **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 proprietary fund financial statements are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

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

  The City of McKinney uses the internal service funds as an accounting device to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds, one to account for the claims of the City's self-funded insurance program and risk management program and one to account for the costs associated with the maintenance of the City's operation and service vehicles.

  The basic proprietary fund financial statements can be found on pages 23-26.

- **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 27.

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 31-72.

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 73-75.

The combining statements referred to earlier in connection with the nonmajor governmental funds, nonmajor 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 76-118 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,077 million as of September 30, 2017.

By far the largest portion of the City's net position, $796 million or 74% 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, $112 million or 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $169 million or 16% 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 is summarized as follows (in thousands):

	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
ASSETS						
Current and other assets	$ 285,977	$ 264,997	$ 182,363	$ 130,642	$ 468,340	$ 395,639
Capital assets	592,432	511,472	448,123	427,219	1,040,555	938,691
Total Assets	878,409	776,469	630,486	557,861	1,508,895	1,334,330
DEFERRED OUTFLOWS OF RESOURCES	17,199	18,243	8,447	8,387	25,646	26,630
LIABILITIES						
Other liabilities	22,439	23,464	9,782	7,908	32,221	31,372
Long-term liabilities outstanding	302,795	319,131	121,040	85,781	423,835	404,912
Total Liabilities	325,234	342,595	130,822	93,689	456,056	436,284
DEFERRED INFLOWS OF RESOURCES	930	1,151	123	149	1,053	1,300
NET POSITION						
Net investment in capital assets	403,720	320,331	391,997	370,316	795,717	690,647
Restricted	96,684	86,358	15,836	12,746	112,520	99,104
Unrestricted	69,040	44,277	100,155	89,348	169,195	133,625
Total Net Position	$ 569,444	$ 450,966	$ 507,988	$ 472,410	$ 1,077,432	$ 923,376

The City of McKinney's net position increased by $154 million during the current fiscal year. This was driven by an increase in governmental net position of $118 million, and an increase in business-type activities net position of $36 million. Details are listed in the table below and discussed on pages 9-10.

Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
REVENUES						
Program revenues:						
Charges for services	$ 25,975	$ 21,487	$ 97,646	$ 88,611	$ 123,621	$ 110,098
Operating grants and contributions	3,303	2,012	50	55	3,353	2,067
Capital grants and contributions	104,025	48,228	30,423	30,336	134,448	78,564
General revenues:						
Property taxes	101,593	90,582	-	-	101,593	90,582
Sales taxes	27,118	25,360	-	-	27,118	25,360
Franchise taxes	14,790	14,162	-	-	14,790	14,162
Other taxes and fees	2,651	418	-	-	2,651	418
Investment income	2,315	1,153	1,829	1,216	4,144	2,369
Other revenues	11,936	715	1,740	240	13,676	955
Total revenues	293,706	204,117	131,688	120,458	425,394	324,575
EXPENSES						
General government	34,347	29,952	-	-	34,347	29,952
Police	31,472	29,047	-	-	31,472	29,047
Fire	27,404	25,632	-	-	27,404	25,632
Libraries	3,820	3,775	-	-	3,820	3,775
Development	10,745	10,223	-	-	10,745	10,223
Parks and recreation	16,517	12,527	-	-	16,517	12,527
Public works	44,061	40,143	-	-	44,061	40,143
Interest on long-term debt	8,458	9,020	-	-	8,458	9,020
Airport	-	-	9,797	9,340	9,797	9,340
Water/Wastewater	-	-	74,365	69,073	74,365	69,073
Solid Waste	-	-	7,387	6,862	7,387	6,862
Golf Course	-	-	192	182	192	182
Surface Water Drainage	-	-	2,772	2,099	2,772	2,099
Total expenses	176,824	160,319	94,513	87,556	271,337	247,875
Increase (decrease) in net position before transfers	116,882	43,798	37,175	32,902	154,057	76,700
Transfers	1,597	3,337	(1,597)	(3,337)	-	-
Increase (decrease) in net position	118,479	47,135	35,578	29,565	154,057	76,700
Net Position- Beginning	450,965	403,830	472,410	442,845	923,375	846,675
Net Position- Ending	$ 569,444	$ 450,965	$ 507,988	$ 472,410	$ 1,077,432	$ 923,375

Governmental Activities

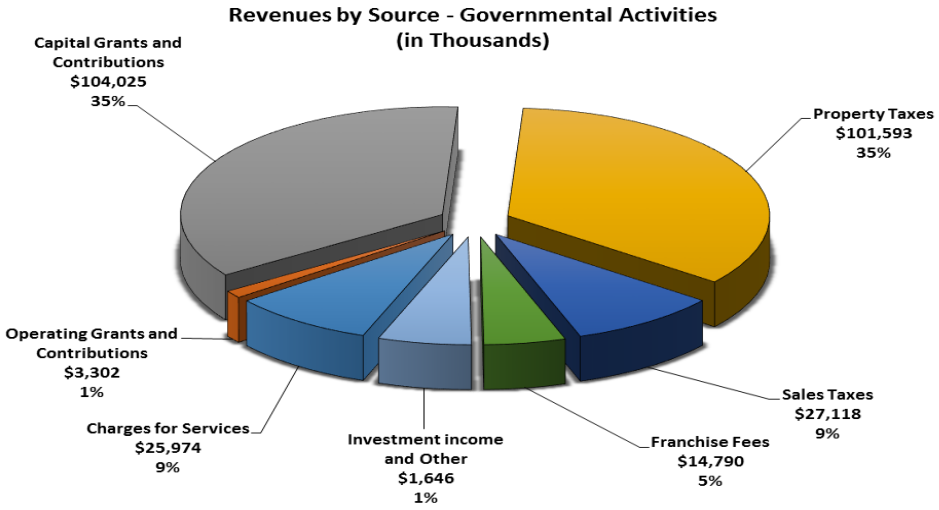
Governmental activities increased the City's net position by $118 million during the current fiscal year. The key elements of this increase are as follows:

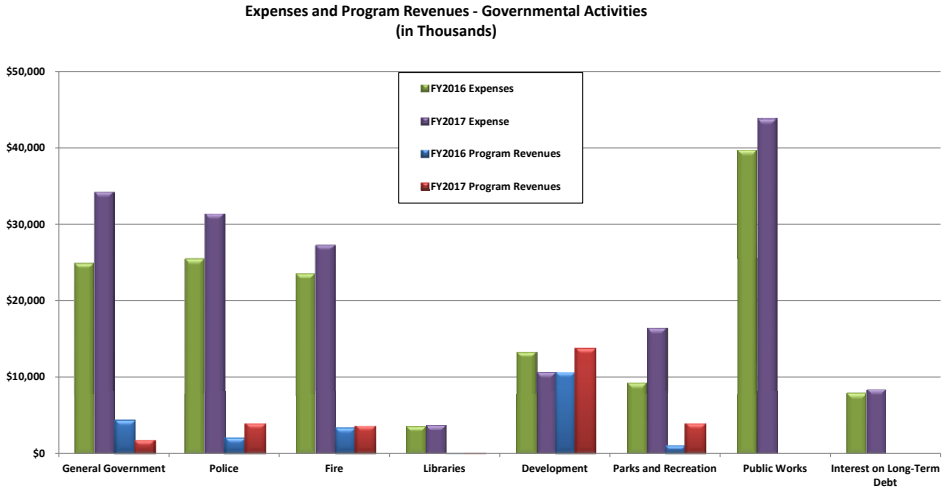
Revenues

- Property taxes increased by $11 million as a result of a 12.8% increase in certified taxable value.
- Sales taxes increased by $1.8 million, or 7% as a result of population and commercial growth in the area.
- Charges for services increased by $4.5 million as a result of the new Aquatics and Fitness Center and the increase in issued building permits.
- Capital grants and contributions are reported with a $55.8 million increase as a result of MCDC's $32.9 million donation of the APEX Centre and other developer contributions to capital project funds for streets and drainage.

Expenses

- The City's governmental expenses increased by $16.5 million.
- The 2017 budget authorized 35 additional positions and a 3% merit pool for increased personnel costs.
- Depreciation expense rose by $2.3 million.
- The opening of the APEX Centre in 2017 expanded Parks and Recreation expenses by $3 million.
- Economic incentives to businesses reported in General Government increased by $3 million.





Business-type Activities

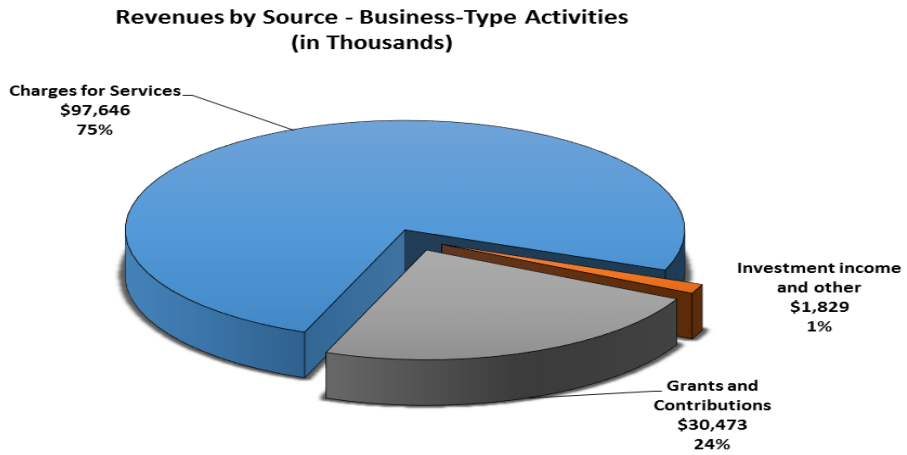
Business-type activities increased the City of McKinney's net position by $36 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

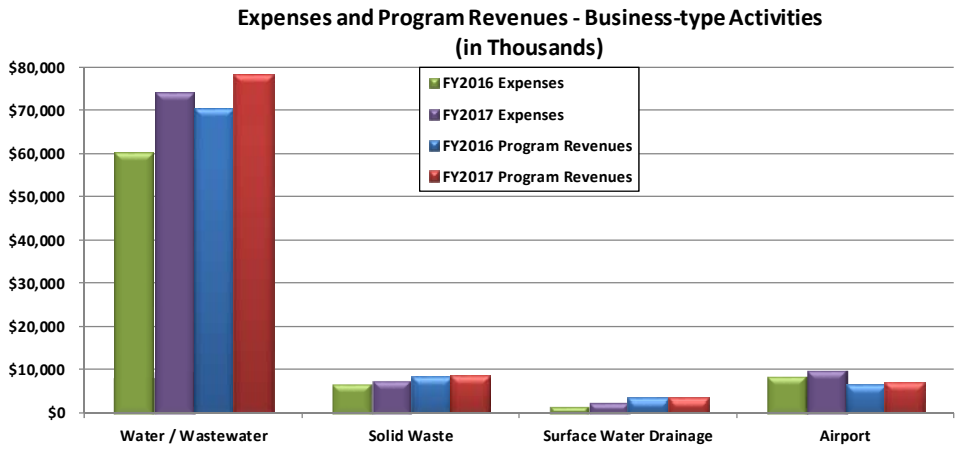
Revenues

- The Water/Wastewater Fund's operating revenues increased by $7.9 million, or 11% as a result of residential growth adding more than 2,500 new customer accounts and utility rate increases.
- The Water/Wastewater Fund received capital contributions of $30.4 million relating to increased development in the City.
- The Airport Fund's operating revenues increased by $0.7 million or 11% due to increases in air traffic resulting in greater fuel sales and associated use fees.

Expenses

- Operating expenses in the Water/Wastewater Fund increased $5.0 million mainly attributed to a $4.9 million increase in water purchase and sewer service charges from North Texas Municipal Water District and 8 new positions with an increased personnel budget of $0.78 million.





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 $249 million, an increase of $19 million or 8.3% in comparison to the prior year. Approximately $62 million or 25% 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, or assigned in conformance with GASB 54 requirements. Please see page 18 for financial details and page 39 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 $62 million, while total fund balance was $80 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 50% of total general fund expenditures.

The general fund balance increased by $15 million or 23% during the current fiscal year. This was the result of continued development growth generating permit and service revenues in excess of budgeted expectations by $3.7 million. Expenditures were $12 million below expectations due to unfinished projects and delayed capital replacements.

Debt Service Fund. The debt service fund had a total fund balance of $4.6 million. There was no significant change in fund balance during the current year.

Capital Projects Fund. The governmental capital projects fund has an ending fund balance of $139 million. Total expenditures for the current year were $33 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of 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 Fire Station #9 construction, Public Safety Building expansion, Bonnie Wenk Park improvements, and several major road extensions.

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, 2017, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $36 million resulting primarily from capital contributions. Operating revenues totaled $78 million, an increase of $7.9 million, or 11% over the prior year due to residential development resulting in approximately 2,500 new service locations and budgeted rate increases. Operating expenses in the Water and Wastewater Fund were $72 million, an increase of $5.0 million or 8% over the prior year, primarily a result of the significant increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of $96.7 million, which was a decrease of $1.9 million compared to the previous year. The unrestricted net position of the Airport Fund stayed relatively the same. Operating revenues increased by $0.7 million for the year due to higher fuel sales and hangar leases, totaling $7.2 million. Operating expenses were $9.8 million which were $0.4 million higher than the previous year for the increased purchase of fuel for resale.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $0.9 million. Operating revenues totaled $8.5 million, which was a $0.3 million increase as compared to the previous year. Operating expenses were $7.4 million which were $0.5 million higher than the previous year.

Golf Course Fund. The Golf Course Fund had an operating loss of $0.1 million. Revenues were approximately $0.1 million which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling $0.2 million. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating 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 operating expenses by $0.8 million. Charges for services remained relatively consistent with the prior year at $3.6 million.

General Fund Budgetary Highlights

The actual FY2016-17 expenditures were $125 million, $12 million less than the final budget of $137 million. The expenditure budget was amended by $5.4 million for prior year re-appropriations, new leasehold and facility improvements, capital replacements, and a $3.9 million economic incentive. However, at the end of the year, $5.3 million of budgeted development studies, capital equipment replacements including two fire engines, and other various projects were not completed and will be re-appropriated to fiscal year 2018.

Actual revenues were $146 million, or $2 million more than the $144 million budget plan. The final revenue budget was $15.6 million more than the original adopted budget. The City was released from a $9.1 million lawsuit reflected in the miscellaneous revenue budget, which was subsequently transferred out for future capital projects. Licenses and permits revenue budget was amended by $3.6 million and continued to exceed final budget expectations by $2.6 million due to rapid growth in the area.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $1.04 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of $102 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	$ 32,847	$ 32,487	$ 29,989	$ 30,431	$ 62,836	$ 62,918
Works of art	26	18	-	-	26	18
Construction in progress	36,002	19,757	8,840	22,560	44,842	42,317
Buildings	126,241	93,583	27,693	29,118	153,934	122,701
Infrastructure	375,447	346,823	375,448	339,970	750,895	686,793
Machinery and equipment	21,843	18,772	6,153	5,140	27,996	23,912
Service animals	26	32	-	-	26	32
Total	$ 592,432	$ 511,472	$ 448,123	$ 427,219	$1,040,555	$ 938,691

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

Project	($ in Thousands)
10MG STORAGE TANK UNIVERSITY	7,556
AIRPORT PARKING RAMP RECO	5,811
FIRE STATION-LAKE FOREST/380	5,672
HARDIN ELEVATED STORAGE TANK	5,286
PUBLIC SAFETY BLDG PH 3	5,249
LAKE FOREST EXT (WILMETH - BLOOMDALE)	4,442
DAM REHAB: NRCS LAKE 2A	4,297
BONNIE WENK PARK PH II	3,441
REC CENTER/AQUATIC COMPLEX DES/PH I	3,019
LAUD HOWELL PARKWAY	2,082

Additional information about the City's capital assets is presented in *Note (3) D* to the financial statements at page 48-49.

Long-term Debt. At year end, the City had $363 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $348 million at the end of the prior fiscal year. This represents an increase of 4.2%. All outstanding debt is summarized below:

	Governmental Activities		Business-type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 247,904	$ 268,256	$ -	$ -	$ 247,904	$ 268,256
Revenue bonds (backed by fee revenues)	-	-	114,747	79,938	114,747	79,938
Totals	$ 247,904	$ 268,256	$ 114,747	$ 79,938	$ 362,651	$ 348,194

In 2017, the City received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds and renewal of its revenue bond ratings. Moody's Investors Service upgraded the City to Aaa rating for General Obligation Bonds and reaffirmed the Aa2 for Water & Wastewater Revenue Bonds. Standard and Poor's reaffirmed its AAA rating for General Obligation Bonds and AA+ rating for Water & Wastewater Revenue Bonds.

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

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

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2018 budget, tax rates, and fees that will be charged for the business-type activities. The priority for fiscal year 2018 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2018 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced over three cents to $0.540199 cents per $100 assessed value
- Water and Wastewater rates increased 8% and 9% respectively
- Solid Waste Rates remained the same
- Increased and sustained funding for equipment and facilities improvements
- Added 76 full-time equivalent positions
- Total City budget included $406.7 million of expenses

The property tax rate for fiscal year 2018 decreased from $0.57300 to $0.540199 per $100 assessed value.

For fiscal year 2018, the water and wastewater (sewer) rates increase 8% and 9%, respectively, due to increased cost of service from the North Texas Municipal Water District (NTMWD). The monthly minimum residential water charge will increase from $14.30 to $15.45. The water volume rate will increase from $4.08 to $4.40 per thousand gallons. Residential and sprinkler/irrigation customers will be charged $5.50 per thousand gallons if the monthly consumption exceeds 20,000 gallons but less than 40,000 gallons; monthly consumption over 40,000 will be charged at $6.60 per thousand gallons. The monthly minimum wastewater rate will increase from $15.25 to $16.60. The wastewater volume rate will increase from $4.29 to $4.65 per thousand gallons of water used.

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

Requests For Information

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

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CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 151,476,359	$ 29,361,544	$ 180,837,903	$ 75,204,099
Investments	36,809,164	22,729,266	59,538,430	2,686,905
Receivables (net of allowance for uncollectibles)	13,486,246	13,918,681	27,404,927	4,480,703
Internal balances	286,864	(286,864)	-	-
Due from other governments	5,769,895	696,891	6,466,786	-
Note receivable from component unit	-	1,623,919	1,623,919	-
Inventories	195,270	531,521	726,791	-
Prepaid items	3,375,548	41,202	3,416,750	60,983
Restricted:				
Cash and cash equivalents	74,577,814	96,693,268	171,271,082	1,682,428
Investments	-	16,996,906	16,996,906	-
Accrued interest receivable	-	56,714	56,714	-
Capital Assets:				
Nondepreciable	68,875,062	38,829,149	107,704,211	19,759,475
Depreciable (net)	523,556,615	409,293,939	932,850,554	2,045,501
Total assets	878,408,837	630,486,136	1,508,894,973	105,920,094
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge for refunding	1,646,506	853,665	2,500,171	103,547
Excess consideration provided for acquisition	-	5,535,714	5,535,714	-
Deferred pension contributions	6,604,162	873,777	7,477,939	113,764
Deferred pension experience losses	1,985,919	262,752	2,248,671	34,210
Deferred pension investment losses	6,962,098	921,135	7,883,233	119,930
Total deferred outflows of resources	17,198,685	8,447,043	25,645,728	371,451
LIABILITIES				
Accounts payable	10,839,910	3,853,745	14,693,655	74,526
Other accrued liabilities	7,004,676	1,789,950	8,794,626	51,532
Unearned revenue	2,345,905	-	2,345,905	2,250
Accrued interest payable	1,272,024	196,688	1,468,712	120,961
Deposits	976,649	3,942,494	4,919,143	-
Noncurrent liabilities				
Due within one year				
Note payable to primary government	-	-	-	807,920
Compensated absences	844,006	158,449	1,002,455	12,863
Bonds payable	25,034,635	5,785,000	30,819,635	2,130,000
Capital lease	291,915	-	291,915	-
Due in more than one year				
Note payable to primary government	-	-	-	815,999
Compensated absences	10,255,742	797,254	11,052,996	154,849
OPEB liability	2,355,235	-	2,355,235	-
Bonds payable	222,869,207	108,961,639	331,830,846	30,860,000
Capital lease	803,195	-	803,195	-
Net pension liability	40,340,054	5,337,275	45,677,329	694,904
Total liabilities	325,233,153	130,822,494	456,055,647	35,725,804
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	927,202	122,675	1,049,877	15,972
Deferred pension changes of assumptions	2,882	-	2,882	-
Total deferred inflows of resources	930,084	122,675	1,052,759	15,972
NET POSITION				
Net investment in capital assets	403,719,522	391,997,298	795,716,820	(11,181,617)
Restricted for:				
Use of impact fees	-	9,415,280	9,415,280	-
Highways and streets	32,618,355	-	32,618,355	-
Debt service	4,605,297	6,420,315	11,025,612	1,682,428
Other capital projects	53,624,967	-	53,624,967	-
Public safety	576,119	-	576,119	-
Community development	4,553,868	-	4,553,868	-
Court	383,860	-	383,860	-
Library	131,231	-	131,231	-
Cultural and recreation	10,423	-	10,423	-
Grants	180,313	-	180,313	-
Unrestricted	69,040,330	100,155,117	169,195,447	80,048,958
Total net position	$ 569,444,285	$ 507,988,010	$ 1,077,432,295	$ 70,549,769

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, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 34,346,612	$ 1,734,117	$ 95,937	$ -
Police	31,471,552	2,894,518	1,043,482	-
Fire	27,403,683	3,628,262	11,600	250,000
Libraries	3,819,963	81,835	1,883	-
Development	10,745,301	13,741,768	980,002	-
Parks and recreation	16,517,121	3,893,394	1,169,310	41,753,564
Public works	44,061,044	-	-	62,021,654
Interest on long-term debt	8,457,638	-	-	-
Total governmental activities	176,822,914	25,973,894	3,302,214	104,025,218
Business-type Activities				
Water/Wastewater	74,364,452	78,432,191	-	30,421,594
Solid Waste	7,386,715	8,443,042	-	-
Golf Course	192,350	34,516	-	-
Surface Water Drainage	2,771,455	3,587,187	-	-
Airport	9,797,154	7,149,114	49,752	1,479
Total business-type activities	94,512,126	97,646,050	49,752	30,423,073
Total primary government	$ 271,335,040	$ 123,619,944	$ 3,351,966	$ 134,448,291
Component Units				
McKinney Economic Development Corp	$ 4,302,819	$ -	$ -	$ -
McKinney Community Development Corp	36,917,743	-	-	-
McKinney Convention & Visitors Bureau	648,053	-	610,000	-
McKinney Main Street Corp	1,196,943	1,251,540	29,751	-
Total component units	$ 43,065,558	$ 1,251,540	$ 639,751	$ -

General Revenues
- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes and fees
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in Net Position

Net Position, beginning of year

Net Position, End of Year

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

Governmental Activities	Business-type Activities	Total	Component Units
$ (32,516,558)	$ -	$ (32,516,558)	$ -
(27,533,552)	-	(27,533,552)	-
(23,513,821)	-	(23,513,821)	-
(3,736,245)	-	(3,736,245)	-
3,976,469	-	3,976,469	-
30,299,147	-	30,299,147	-
17,960,610	-	17,960,610	-
(8,457,638)	-	(8,457,638)	-
(43,521,588)	-	(43,521,588)	-
-	34,489,333	34,489,333	-
-	1,056,327	1,056,327	-
-	(157,834)	(157,834)	-
-	815,732	815,732	-
-	(2,596,809)	(2,596,809)	-
-	33,606,749	33,606,749	-
$ (43,521,588)	$ 33,606,749	$ (9,914,839)	$ -
$ -	$ -	$ -	$ (4,302,819)
-	-	-	(36,917,743)
-	-	-	(38,053)
-	-	-	84,348
$ -	$ -	$ -	$ (41,174,267)
$ 101,593,480	$ -	$ 101,593,480	$ -
27,117,534	-	27,117,534	25,180,162
14,790,276	-	14,790,276	-
2,651,192	-	2,651,192	-
2,314,659	1,828,821	4,143,480	679,936
11,936,004	1,739,619	13,675,623	56,050
1,596,987	(1,596,987)	-	-
162,000,132	1,971,453	163,971,585	25,916,148
118,478,544	35,578,202	154,056,746	(15,258,119)
450,965,741	472,409,808	923,375,549	85,807,888
$ 569,444,285	$ 507,988,010	$ 1,077,432,295	$ 70,549,769

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 43,653,205	$ 4,604,674	$ 139,826,406	$ 25,297,531	$ 213,381,816
Investments	33,806,545	-	3,002,619	-	36,809,164
Receivables (net of allowance for uncollectibles):					
Delinquent property taxes	791,328	336,434	-	-	1,127,762
Accounts	2,952,974	-	52,485	-	3,005,459
Notes	770,702	-	-	-	770,702
Other taxes and fees	7,643,493	-	-	241,210	7,884,703
Accrued interest	204,663	-	2,406	-	207,069
Due from other funds	384,864	-	-	-	384,864
Due from other governments	57,967	-	5,532,644	179,284	5,769,895
Inventory	53,892	-	-	-	53,892
Prepaid items	3,279,895	600	-	90,559	3,371,054
Total assets	$ 93,599,528	$ 4,941,708	$ 148,416,560	$ 25,808,584	$ 272,766,380
LIABILITIES					
Accounts payable	$ 2,457,049	$ 9,575	$ 6,333,121	$ 429,002	$ 9,228,747
Other accrued liabilities	5,388,207	-	1,465,835	150,634	7,004,676
Deposits	976,649	-	-	-	976,649
Due to other funds	-	-	-	98,000	98,000
Unearned revenue	1,011,208	-	1,333,697	1,000	2,345,905
Total liabilities	9,833,113	9,575	9,132,653	678,636	19,653,977
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,290,468	326,236	-	-	3,616,704
Total deferred inflows of resources	3,290,468	326,236	-	-	3,616,704
FUND BALANCES					
NONSPENDABLE:					
Inventory	53,892	-	-	-	53,892
Prepaid items	3,279,895	600	-	90,559	3,371,054
RESTRICTED:					
Debt service	-	4,605,297	-	-	4,605,297
Street construction	-	-	66,288,158	-	66,288,158
Capital projects	-	-	72,995,749	12,956,317	85,952,066
Law enforcement	10,972	-	-	522,618	533,590
Courts	383,860	-	-	-	383,860
Fire	-	-	-	42,529	42,529
PEG	-	-	-	1,334,050	1,334,050
Library	-	-	-	131,231	131,231
Community housing	-	-	-	227,770	227,770
Parks	-	-	-	10,423	10,423
Hotel/Motel	-	-	-	2,919,895	2,919,895
Transit	-	-	-	72,153	72,153
Grants	-	-	-	180,313	180,313
ASSIGNED:					
Capital equip replacement	10,155,890	-	-	6,642,090	16,797,980
Disaster relief	516,552	-	-	-	516,552
OPEB	3,317,131	-	-	-	3,317,131
Public & performing arts	408,640	-	-	-	408,640
UNASSIGNED	62,349,115	-	-	-	62,349,115
Total fund balances	80,475,947	4,605,897	139,283,907	25,129,948	249,495,699
Total liabilities, deferred inflows of resources and fund balances	$ 93,599,528	$ 4,941,708	$ 148,416,560	$ 25,808,584	$ 272,766,380

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

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Fund balances of governmental funds		$ 249,495,699
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables not measureable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.		3,616,704
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		592,040,413
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Employer contributions (GASB 68)	6,524,047	
Investment return difference (GASB 68)	6,877,641	
Experience difference, net (GASB 68)	1,045,874	
Change of assumptions (GASB 68)	(2,882)	
Deferred charge on refunding	1,646,506	16,091,186
Internal service funds are used by management to charge the costs of certain activities, including self-insurance, to appropriate function in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		11,681,173
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(1,272,024)
Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General and certificates of obligation bonds and tax notes	(228,210,000)	
Bond premiums	(19,693,842)	
Capital leases	(1,095,110)	
Net pension liability	(39,850,690)	
Compensated absences	(11,003,989)	
OPEB liability	(2,355,235)	(302,208,866)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 569,444,285

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, 2017

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	$ 69,881,667	$ 29,823,102	$ -	$ 795,027	$ 100,499,796
Sales and use taxes	23,657,598	-	-	3,459,936	27,117,534
Franchise fees	14,790,276	-	-	-	14,790,276
Other taxes and fees	-	-	-	353,059	353,059
Licenses and permits	14,883,837	-	-	-	14,883,837
Intergovernmental	1,678,077	-	5,678,758	1,385,448	8,742,283
Charges for services	8,728,651	-	-	1,063,017	9,791,668
Fines and forfeitures	1,923,927	-	-	210,139	2,134,066
Investment income	666,840	208,919	1,297,185	141,715	2,314,659
Contributions	452,614	-	13,785,922	36,077	14,274,613
Miscellaneous	9,527,638	-	2,362,689	45,678	11,936,005
Total revenues	146,191,125	30,032,021	23,124,554	7,490,096	206,837,796
EXPENDITURES					
Current:					
General government	26,889,288	-	194,773	1,516,669	28,600,730
Police	29,158,296	-	-	360,933	29,519,229
Fire	24,915,559	-	-	19,061	24,934,620
Libraries	3,356,484	-	-	25,812	3,382,296
Development	9,306,429	-	-	1,090,931	10,397,360
Parks and recreation	12,758,943	-	59,256	4,727	12,822,926
Public works	10,382,306	-	3,946,804	-	14,329,110
Debt Service:					
Principal retirement	284,211	18,025,000	-	-	18,309,211
Interest and fiscal charges	37,468	11,173,175	-	-	11,210,643
Capital expenditures:					
General government	634,505	-	1,032,659	1,231,669	2,898,833
Police	826,587	-	4,773,003	15,000	5,614,590
Fire	2,572,241	-	4,173,383	250,000	6,995,624
Libraries	-	-	105,418	48,296	153,714
Development	127,201	-	1,725,901	-	1,853,102
Parks and recreation	495,575	-	5,793,252	-	6,288,827
Public works	2,874,112	-	11,451,211	-	14,325,323
Total expenditures	124,619,205	29,198,175	33,255,660	4,563,098	191,636,138
Excess (deficiency) of revenues over (under) expenditures	21,571,920	833,846	(10,131,106)	2,926,998	15,201,658
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	21,965,000	-	-	21,965,000
Deposit to bond refunding escrow account	-	(24,461,495)	-	-	(24,461,495)
Premium on issuance of debt	-	2,695,707	-	-	2,695,707
Proceeds from sale of property	1,648,565	-	-	-	1,648,565
Transfers in	3,342,096	-	11,017,037	62,113	14,421,246
Transfers out	(11,692,663)	(321,678)	-	(241,000)	(12,255,341)
Total other financing sources (uses)	(6,702,002)	(122,466)	11,017,037	(178,887)	4,013,682
Net change in fund balances	14,869,918	711,380	885,931	2,748,111	19,215,340
Fund balances, beginning of year	65,606,029	3,894,517	138,397,976	22,381,837	230,280,359
Fund balances, end of year	$ 80,475,947	$ 4,605,897	$ 139,283,907	$ 25,129,948	$ 249,495,699

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

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, 2017

Net change in fund balances – total governmental funds		$ 19,215,340
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		38,130,013
Governmental funds do not recognize contributed capital assets. 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.		84,374,487
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(40,133,324)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	18,025,000	
Capital lease	284,211	18,309,211
The issuance and refunding of long-term debt, such as bonds and capital leases, are shown as "Other Sources" and "Other Uses" in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of long term-debt, net of refunding	2,496,495	
Recognition of premium on debt issuance	(2,695,707)	
Amortization of refunding loss	(318,609)	
Amortization of bond premium	2,923,162	2,405,341
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(2,730,202)
Current year change in long-term liability for compensated absences and OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(1,351,208)	
OPEB	(1,071,523)	(2,422,731)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		94,827
Internal service funds are used by management to share the costs of certain activities including self-insurance and fleet maintenance to individual funds.		2,709,800
In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		(1,648,565)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		174,347
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 118,478,544

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

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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, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Property taxes	$ 70,122,655	$ 70,244,914	$ 69,881,667	$ (363,247)
Sales and use taxes	21,885,000	24,410,000	23,657,598	(752,402)
Franchise fees	14,292,000	14,615,000	14,790,276	175,276
Licenses and permits	8,693,500	12,252,800	14,883,837	2,631,037
Intergovernmental	2,043,190	2,218,171	1,678,077	(540,094)
Charges for services	8,042,445	7,612,550	8,728,651	1,116,101
Fines and forfeitures	2,144,700	1,893,000	1,923,927	30,927
Investment income	347,450	820,955	666,840	(154,115)
Contributions	459,900	449,900	452,614	2,714
Miscellaneous	233,800	9,330,737	9,527,638	196,901
Total revenues	128,264,640	143,848,027	146,191,125	2,343,098
EXPENDITURES				
General government	25,147,839	29,564,378	27,523,793	2,040,585
Police	31,739,431	31,214,508	29,984,883	1,229,625
Fire	29,557,060	31,026,699	27,809,479	3,217,220
Libraries	3,415,714	3,472,175	3,356,484	115,691
Development	10,519,137	10,854,013	9,433,630	1,420,383
Parks and recreation	13,535,770	14,569,377	13,254,518	1,314,859
Public works	12,977,785	16,240,122	13,256,418	2,983,704
Total expenditures	126,892,736	136,941,272	124,619,205	12,322,067
Excess (deficiency) of revenues over (under) expenditures	1,371,904	6,906,755	21,571,920	14,665,165
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	129,000	129,000	1,648,565	1,519,565
Transfers in	3,342,097	3,342,097	3,342,096	(1)
Transfers out	(2,613,513)	(11,692,663)	(11,692,663)	-
Total other financing sources (uses)	857,584	(8,221,566)	(6,702,002)	1,519,564
Net change in fund balance	2,229,488	(1,314,811)	14,869,918	16,184,729
Fund balance, beginning of year	65,606,029	65,606,029	65,606,029	-
Fund balance, end of year	$ 67,835,517	$ 64,291,218	$ 80,475,947	$ 16,184,729

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, 2017

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 15,786,763	$ 3,470,250	$ 10,104,531	$ 29,361,544	$ 12,586,357
Investments	20,727,520	-	2,001,746	22,729,266	-
Restricted assets:					
Cash and cash equivalents	88,367,752	8,312,516	13,000	96,693,268	86,000
Accrued interest receivable	55,110	-	1,604	56,714	-
Receivables (net of allowance for uncollectibles)	11,249,316	3,693	2,576,940	13,829,949	490,551
Accrued interest receivable	88,732	-	-	88,732	-
Due from other funds	13,809	-	-	13,809	-
Notes receivable - interfund	-	-	5,730,945	5,730,945	-
Notes receivable - component unit	-	-	1,623,919	1,623,919	-
Due from other governments	696,891	-	-	696,891	-
Inventory	471,180	60,341	-	531,521	141,378
Prepaid items	2,486	37,724	992	41,202	4,494
Total current assets	137,459,559	11,884,524	22,053,677	171,397,760	13,308,780
Noncurrent assets:					
Restricted assets:					
Investments	16,996,906	-	-	16,996,906	-
Total restricted assets	16,996,906	-	-	16,996,906	-
Capital assets:					
Land	10,257,067	19,165,182	566,509	29,988,758	-
Buildings	11,972,381	25,014,893	1,663,564	38,650,838	-
Improvements other than buildings	423,965,013	65,581,408	2,886,653	492,433,074	-
Machinery and equipment	10,312,316	1,164,319	1,693,955	13,170,590	658,550
Construction in progress	6,677,530	2,162,861	-	8,840,391	-
Less accumulated depreciation	(103,196,325)	(27,312,585)	(4,451,653)	(134,960,563)	(267,286)
Total capital assets (net of accumulated depreciation)	359,987,982	85,776,078	2,359,028	448,123,088	391,264
Total noncurrent assets	376,984,888	85,776,078	2,359,028	465,119,994	391,264
TOTAL ASSETS	514,444,447	97,660,602	24,412,705	636,517,754	13,700,044
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	545,685	141,279	186,813	873,777	80,115
Deferred pension investment losses	575,261	148,936	196,938	921,135	84,457
Deferred pension experience losses	164,092	42,484	56,176	262,752	24,091
Deferred charge for refunding	853,665	-	-	853,665	-
Excess consideration provided for acquisition	-	5,535,714	-	5,535,714	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	$ 2,138,703	$ 5,868,413	$ 439,927	$ 8,447,043	$ 188,663

(continued)

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

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,677,558	$ 179,391	$ 119,788	$ 2,976,737	$ 1,554,574
Other accrued liabilities	718,681	56,957	827,926	1,603,564	56,589
Due to other funds	254,402	-	46,271	300,673	-
Note payable- interfund	-	-	50,508	50,508	-
Compensated absences	46,837	92,860	18,752	158,449	7,345
Accrued interest payable	196,688	-	-	196,688	-
Total current liabilities unrestricted	3,894,166	329,208	1,063,245	5,286,619	1,618,508
Liabilities (payable from restricted assets):					
Accounts payable	438,712	438,296	-	877,008	-
Revenue bonds payable, current	5,785,000	-	-	5,785,000	-
Other accrued liabilities	103,477	82,909	-	186,386	-
Deposits	3,801,949	130,545	10,000	3,942,494	-
Total current liabilities (payable from restricted assets)	10,129,138	651,750	10,000	10,790,888	-
Total current liabilities	14,023,304	980,958	1,073,245	16,077,507	1,618,508
Noncurrent liabilities:					
Net pension liability	3,333,199	862,969	1,141,107	5,337,275	489,364
Compensated absences	563,816	7,714	225,724	797,254	88,414
Note payable- interfund	-	5,000,000	680,437	5,680,437	-
Revenue bonds, certificates of obligation payable	108,961,639	-	-	108,961,639	-
Total noncurrent liabilities	112,858,654	5,870,683	2,047,268	120,776,605	577,778
TOTAL LIABILITIES	126,881,958	6,851,641	3,120,513	136,854,112	2,196,286
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	76,612	19,835	26,228	122,675	11,248
NET POSITION					
Net investment in capital assets	304,383,397	85,254,873	2,359,028	391,997,298	391,264
Restricted for:					
Use of impact fees	9,415,280	-	-	9,415,280	-
Debt service	6,420,315	-	-	6,420,315	-
Unrestricted	69,405,588	11,402,666	19,346,863	100,155,117	11,289,909
TOTAL NET POSITION	$ 389,624,580	$ 96,657,539	$ 21,705,891	$ 507,988,010	$ 11,681,173

(concluded)

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities – Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 78,432,191	$ 7,149,114	$ 12,064,745	$ 97,646,050	$ 19,887,748
Intergovernmental	-	49,752	-	49,752	-
Miscellaneous	59,273	-	116,908	176,181	853,399
Total operating revenues	78,491,464	7,198,866	12,181,653	97,871,983	20,741,147
OPERATING EXPENSES					
Personnel services	7,671,903	1,957,652	2,561,065	12,190,620	1,124,043
Materials, supplies and services	642,306	2,443,122	81,098	3,166,526	17,096,666
Maintenance	2,176,481	304,457	228,981	2,709,919	37,789
Purchase of water	44,038,937	-	-	44,038,937	-
Contract payments	4,480,309	349,970	6,957,609	11,787,888	-
Office rental	19,624	-	-	19,624	-
Utilities	965,107	160,212	7,836	1,133,155	32,693
Depreciation and amortization	9,518,719	4,029,309	248,435	13,796,463	37,424
Other	1,996,984	552,432	265,496	2,814,912	26,102
Total operating expenses	71,510,370	9,797,154	10,350,520	91,658,044	18,354,717
Operating income (loss)	6,981,094	(2,598,288)	1,831,133	6,213,939	2,386,430
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,636,082	65,127	127,612	1,828,821	123,892
Interest and fiscal charges	(2,854,082)	-	-	(2,854,082)	-
Gain (loss) from disposal of assets	1,663,722	-	(100,284)	1,563,438	15,828
Total nonoperating revenues (expenses)	445,722	65,127	27,328	538,177	139,720
Income (loss) before contributions and transfers	7,426,816	(2,533,161)	1,858,461	6,752,116	2,526,150
Contributions	30,421,594	1,479	-	30,423,073	-
Transfers in	425,807	613,513	144,606	1,183,926	290,359
Transfers out	(2,119,313)	-	(661,600)	(2,780,913)	(106,709)
Change in net position	36,154,904	(1,918,169)	1,341,467	35,578,202	2,709,800
Net position, beginning of year	353,469,676	98,575,708	20,364,424	472,409,808	8,971,373
Net position, end of year	$ 389,624,580	$ 96,657,539	$ 21,705,891	$ 507,988,010	$ 11,681,173

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, 2017

	Business-type Activities				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING ACTIVITIES					
Cash received from customers and users	$ 76,723,303	$ 7,203,609	$ 11,584,860	$ 95,511,772	$ 19,588,001
Other operating revenues (expenses)	(637,618)	49,752	116,908	(470,958)	853,399
Cash payments to employees for services	(7,360,462)	(1,888,453)	(2,422,591)	(11,671,506)	(1,051,372)
Cash payments to suppliers for goods and services	(53,660,678)	(3,219,076)	(7,562,209)	(64,441,963)	(16,665,409)
Net cash provided by operating activities	15,064,545	2,145,832	1,716,968	18,927,345	2,724,619
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	449,339	613,513	132,914	1,195,766	-
Transfers to other funds	(2,119,313)	-	(661,600)	(2,780,913)	(116,709)
Net cash provided by (used in) noncapital financing activities	(1,669,974)	613,513	(528,686)	(1,585,147)	(116,709)
CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(4,810,000)	-	-	(4,810,000)	-
Issuance of bonds	39,390,000	-	-	39,390,000	-
Principal paid on loans	-	-	(49,640)	(49,640)	-
Payments received on loans to component units	-	-	799,921	799,921	-
Issuance of note receivable	-	-	(5,000,000)	(5,000,000)	-
Proceeds from advances	-	5,000,000	49,640	5,049,640	-
Interest and fiscal charges paid on debt	(3,104,456)	-	-	(3,104,456)	-
Acquisition and construction of capital assets	(1,431,478)	(2,349,795)	(207,381)	(3,988,654)	(7,851)
Proceeds from the sale of assets	1,663,722	-	16,118	1,679,840	15,828
Net cash provided by (used in) capital and related financing activities	31,707,788	2,650,205	(4,391,342)	29,966,651	7,977
INVESTING ACTIVITIES					
Purchase of investments	(10,045,000)	-	-	(10,045,000)	-
Proceeds from sale and maturities of investments	-	-	352,268	352,268	-
Investment income	1,893,084	65,127	130,736	2,088,947	123,892
Net cash provided by (used in) investing activities	(8,151,916)	65,127	483,004	(7,603,785)	123,892
Net increase (decrease) in cash and cash equivalents	36,950,443	5,474,677	(2,720,056)	39,705,064	2,739,779
Cash and Cash Equivalents, Beginning of Year	67,204,072	6,308,089	12,837,587	86,349,748	9,932,578
Cash and Cash Equivalents, End of Year	$ 104,154,515	$ 11,782,766	$ 10,117,531	$ 126,054,812	$ 12,672,357
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and cash equivalents	$ 15,786,763	$ 3,470,250	$ 10,104,531	$ 29,361,544	$ 12,586,357
Restricted cash and cash equivalents	88,367,752	8,312,516	13,000	96,693,268	86,000
Total cash and cash equivalents	$ 104,154,515	$ 11,782,766	$ 10,117,531	$ 126,054,812	$ 12,672,357
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	$ 6,981,094	$ (2,598,288)	$ 1,831,133	$ 6,213,939	$ 2,386,430
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	9,518,719	4,029,309	248,435	13,796,463	37,424
Change in pension expense	260,177	71,464	112,013	443,654	64,738
(Increases) decreases in assets:					
Accounts receivable	(2,264,737)	9,581	(479,885)	(2,735,041)	(299,747)
Prepaid expenses	(140)	43,150	578	43,588	17,843
Due from other governments	(696,891)	-	-	(696,891)	(8,055)
Inventory	(25,508)	6,012	-	(19,496)	-
Increases (decreases) in liabilities:					
Accounts payable	385,912	459,871	(18,391)	827,392	518,053
Accrued liabilities	298,806	82,084	(3,375)	377,515	-
Due to other funds	-	-	727	727	-
Deposits	555,849	44,914	-	600,763	-
Liability for compensated absences	51,264	(2,265)	25,733	74,732	7,933
Total adjustments	8,083,451	4,744,120	(114,165)	12,713,406	338,189
Net cash provided by operating activities	$ 15,064,545	$ 2,145,832	$ 1,716,968	$ 18,927,345	$ 2,724,619

Noncash Investing and Financing Activities

The City recorded increases in capital assets of $25,284,903 related to capital contributions from internal and external sources for the Water Fund.

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, 2017

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	$ 7,394,167
Total assets	$ 7,394,167
LIABILITIES	
Developer escrows	$ 7,394,167
Total liabilities	$ 7,394,167

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, 2017

	McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
ASSETS					
Cash and cash equivalents	$ 36,103,888	$ 38,745,841	$ 69,467	$ 284,903	$ 75,204,099
Investments	-	2,686,905	-	-	2,686,905
Receivables (net of allowance for uncollectibles)	2,231,360	2,233,170	14	16,159	4,480,703
Prepaid items	26,668	5,527	27,988	800	60,983
Restricted assets- cash and cash equivalents	1,682,428	-	-	-	1,682,428
Capital assets, non depreciable	14,789,413	4,970,062	-	-	19,759,475
Capital assets, net of accumulated depreciation	12,353	1,995,839	-	37,309	2,045,501
Total assets	54,846,110	50,637,344	97,469	339,171	105,920,094
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	71,195	15,671	26,898	-	113,764
Deferred investment loss	75,054	16,520	28,356	-	119,930
Deferred experience loss	21,409	4,712	8,089	-	34,210
Deferred charge on refunding	103,547	-	-	-	103,547
Total deferred outflows of resources	271,205	36,903	63,343	-	371,451
LIABILITIES					
Accounts payable	31,677	4,840	1,054	36,955	74,526
Other accrued liabilities	31,978	6,972	12,582	-	51,532
Unearned revenue	-	-	-	2,250	2,250
Accrued interest payable	27,727	93,234	-	-	120,961
Noncurrent liabilities					
Due within one year					
Note payable to primary government	807,920	-	-	-	807,920
Compensated absences	5,367	2,884	4,612	-	12,863
Bonds payable	1,155,000	975,000	-	-	2,130,000
Due in more than one year					
Net pension liability	434,881	95,720	164,303	-	694,904
Note payable to primary government	815,999	-	-	-	815,999
Compensated absences	64,612	34,714	55,523	-	154,849
Bonds payable	9,480,000	21,380,000	-	-	30,860,000
Total Liabilities	12,855,161	22,593,364	238,074	39,205	35,725,804
DEFERRED INFLOWS OF RESOURCES					
Deferred pension experience gains	9,996	2,200	3,776	-	15,972
Total deferred inflows of resources	9,996	2,200	3,776	-	15,972
NET POSITION					
Net investment in capital assets	4,170,173	(15,389,099)	-	37,309	(11,181,617)
Restricted for debt service	1,682,428	-	-	-	1,682,428
Unrestricted	36,399,557	43,467,782	(81,038)	262,657	80,048,958
Total net position	$ 42,252,158	$ 28,078,683	$ (81,038)	$ 299,966	$ 70,549,769

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, 2017

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
McKinney Economic Development Corporation	$ 4,302,819	$ -	$ -	$ -
McKinney Community Development Corporation	36,917,743	-	-	-
McKinney Convention & Visitors Bureau	648,053	-	610,000	-
McKinney Main Street Corporation	1,196,943	1,251,540	29,751	-
Total Component Units	$ 43,065,558	$ 1,251,540	$ 639,751	$ -
		General revenues		
		Sales taxes		
		Investment income		
		Miscellaneous		
		Total general revenues		
		Change in net position		
		Net position, beginning of year		
		Net position, end of year		

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

Net (Expense) Revenue and Changes in Net Position				
Component Units				
McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
$ (4,302,819)	$ -	$ -	$ -	$ (4,302,819)
-	(36,917,743)	-	-	(36,917,743)
-	-	(38,053)	-	(38,053)
-	-	-	84,348	84,348
$ (4,302,819)	$ (36,917,743)	$ (38,053)	$ 84,348	$ (41,174,267)
$ 12,590,081	$ 12,590,081	$ -	$ -	$ 25,180,162
324,925	354,891	120	-	679,936
-	53,282	2,768	-	56,050
12,915,006	12,998,254	2,888	-	25,916,148
8,612,187	(23,919,489)	(35,165)	84,348	(15,258,119)
33,639,971	51,998,172	(45,873)	215,618	85,807,888
$ 42,252,158	$ 28,078,683	$ (81,038)	$ 299,966	$ 70,549,769

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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). 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, 2017.

A. Financial Statement Presentation

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

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

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

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from the date of the City.

Blended Component Units

The McKinney Urban Transit District (MUTD) is a blended component unit presented as a non-major special revenue fund of the City. The governing body of the MUTD consists of the seven City of McKinney councilmembers and one representative from each of the district members including the Collin County Commissioners' Court, the City of Celina, the City of Lowry Crossing, the City of Melissa, the City of Princeton, and the City of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions, and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Princeton who are 65 years of age or older or are disabled.

The McKinney Housing Finance Corporation (MHFC) is a blended component unit presented as a non-major special revenue fund. The governing body of the MHFC is appointed by the City Council and the MHFC's budget is subject to approval of the City Council. The MHFC finances the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices. MHFC budget is financed primarily by developer fees and has a September 30 year-end.

Discretely Presented Component Units

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.

The McKinney Community Development Corporation (MCDC) is 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.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.
MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS.

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 MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB.

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.

The McKinney Community Development Corporation (MCDC) is 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.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end.

MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS.

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 MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB.

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 properly not 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 capital projects 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 nonmajor funds are combined in a column in the fund financial statements. The nonmajor 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

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

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

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

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

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

Property taxes, franchise fees, sales taxes, charges for services 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.

c. **The Capital Projects Fund** consists of various types of financial resources and is utilized in the acquiring or constructing of capital infrastructure within the City. These include facilities, streets, stormwater drainage, utilities, public safety, parks and recreation centers.

Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

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

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

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

b. **The Airport Fund** is used to account for the operations of the airport.

Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

Two 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 the **Insurance and Risk Management Fund**. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants. Costs associated with maintenance of the City's operation and service vehicles are accounted for in the **Fleet Maintenance Fund**.

3. 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, Cash Equivalents and Investments

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

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

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments are recorded at amortized cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying government-wide and fund financial statements.

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.

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.

F. Inventories and Prepaid Items

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

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2017, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

G. Interfund Receivables and Payables

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

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

H. Restricted Assets

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

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

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

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

I. Capital Assets

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

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 2017, $531,417 was 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
Building / Structures	10 - 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 - 15
Motor Vehicles	2 - 10
Traffic Signals	10 - 15
Parks	20
Service Animals	7 - 10
Storm Sewer	50
Streets	20

J. Compensated Absences

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

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 20 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 20 years of service.

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

K. Long-term Obligations

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

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

Deferred charge for refunding are amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized to pension expense over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has two types of items that qualify for reporting in this category in the government wide financial statements. The difference in expected and actual pension experience (pensions) and changes of assumptions (pensions) are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

N. Fund Equity

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

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

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

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

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

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

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

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

O. Change in Accounting Principles

The City has adopted and implemented the following GASB statements which have become effective for fiscal year 2017:

GASB Statement No. 77, *Tax Abatement Disclosures*

- This Statement requires disclosures to be made regarding tax abatements of the City and of other governments affecting tax revenues of the City. Implementation of the Statement resulted in additional note disclosures by the City; however, the statement had no impact on any amounts reported by the City within any of the basic financial statements as listed in the table of contents.

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted and which require adoption subsequent to September 30, 2017.

Statement No.		Adoption Required
75	Accounting and Financial Reporting for Postretirement Benefits Other Than Pensions	September 30, 2018

P. Miscellaneous Revenue

In October 2014, a trial court found that the City owed damages to a developer in the amount of $9,017,037. The City accrued for the contingent liability in the General Fund as of September 30, 2014. In May 2016, the ruling was reversed and the appellate court found that no damages were owed. In March 2017, the court of appeals issued its mandate that the case was officially over, and the City was released from all liability. This amount is reported on the Statement of Revenues, Expenditures and Changes in Fund Balance by the General Fund and on the Statement of Activities by Governmental Activities as miscellaneous revenue.

(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 2017, the total amendments to the original adopted budgeted amounts resulted in a $19,127,686 increase in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, each nonmajor special revenue fund, and the nonmajor capital projects fund are legally adopted on a basis consistent with GAAP.

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

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

(3) DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of September 30, 2017, consist of and are classified in the accompanying primary government and component unit financial statements as follows:

Primary Government

Statement of Net Position	
Cash and cash equivalents	$ 180,837,903
Investments	59,538,430
Restricted cash and cash equivalents	171,271,082
Restricted investments	16,996,906
	$ 428,644,321
Cash on hand	$ 12,026
Deposits with financial institutions, excluding certificates of deposit	15,658,737
Investments	412,973,558
Total cash and investments	$ 428,644,321

Component Units

Statement of Net Position	
Cash and cash equivalents	$ 75,204,099
Investments	2,686,905
Restricted cash and cash equivalents	1,682,428
	$ 79,573,432
Cash on hand	$ 400
Deposits with financial institutions, excluding certificates of deposit	729,673
Investments	78,843,359
Total cash and investments	$ 79,573,432

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	5 years	20%	None
Repurchase agreements	6 months	80%	None
Commercial paper	270 days	20%	None
No-load money market mutual funds	90 days	20%	None
Investment pools	365 days (WAM)	None	None
State and Local Government Agency Securities	3 years	80%	None

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk 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, 2017, the City and Component Units had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
Primary Government		
Certificates of deposit	$ 5,077,273	973
TexPool	23,343,877	44
TexPool Prime	39,261,152	48
LOGIC	134,177,894	45
TexasDaily	47,891,196	55
Texas CLASS	91,764,103	56
Federal Agency securities	66,902,929	969
Municipal securities	4,555,134	591
Total fair value	412,973,558	
Discretely Presented Component Units		
TexPool	7,219,159	44
TexPool Prime	18,666,019	48
LOGIC	21,113,751	45
TexasDaily	16,708,017	55
Texas CLASS	12,449,509	56
Federal Agency securities	2,686,905	969
Total fair value	78,843,360	
Total fair value - reporting entity	$ 491,816,918	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy.

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	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
Primary Government			
Certificates of deposit	$ 5,077,273		
TexPool	23,343,877	AAA/AAA-m	AAAm
TexPool Prime	39,261,152	AAA/AAA-m	AAAm
LOGIC	134,177,894	AAA/AAA-m	AAAm
TexasDaily	47,891,196	AAA/AAA-m	AAAm
Texas CLASS	91,764,103	AAA/AAA-m	AAAm
Federal Agency securities	66,902,929	AAA	AAA
Municipal securities	4,555,134	A	A
Total fair value	412,973,558		
Discretely Presented Component Units			
TexPool	7,219,159	AAA/AAA-m	AAAm
TexPool Prime	18,666,019	AAA/AAA-m	AAAm
LOGIC	21,113,751	AAA/AAA-m	AAAm
TexasDaily	16,708,017	AAA/AAA-m	AAAm
Texas CLASS	12,449,509	AAA/AAA-m	AAAm
Federal Agency securities	2,686,905	AAA	AAA
Total fair value	78,843,360		
Total fair value - reporting entity	$ 491,816,918		

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, 2017, 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 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 net asset 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 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 net asset value of LOGIC shares.

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, 2017, were 99.64% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2017 and the preceding year are as follows (amounts per $100 assessed value):

	2017	2016
General Fund	$ 0.40177	$ 0.40997
Debt Service	0.17123	0.17303
	$ 0.57300	$ 0.58300

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

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

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50, but does not prescribe a legal debt limit. The 2017 ad valorem tax rate of $0.57300 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	Capital Projects	Nonmajor Funds	Total
Interest	$ 204,663	$ -	$ 2,406	$ -	$ 207,069
Taxes	8,434,821	336,434	-	241,210	9,012,465
Accounts	3,814,902	-	52,485	-	3,867,387
Notes	770,702	-	-	-	770,702
Other	57,967	-	5,532,644	179,284	5,769,895
Gross receivables	13,283,055	336,434	5,587,535	420,494	19,627,518
Allowance for uncollectible accounts	(861,928)	-	-	-	(861,928)
Net total receivables	$ 12,421,127	$ 336,434	$ 5,587,535	$ 420,494	$ 18,765,590

	Business-type Activities			
	Water Wastewater	Airport	Other Enterprise Funds	Total
Customer accounts	$ 11,552,004	$ 3,693	$ 2,636,384	$ 14,192,081
Other	696,891	-	-	696,891
Gross receivables	12,248,895	3,693	2,636,384	14,888,972
Allowance for uncollectible accounts	(302,688)	-	(59,444)	(362,132)
Net total receivables	$ 11,946,207	$ 3,693	$ 2,576,940	$ 14,526,840
Accrued interest receivable	$ 143,842	$ -	$ 1,604	$ 145,446

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2017. The water and wastewater fund also reported restricted interest receivables at year-end of $55,110.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of $289,790 in interest expenses. A promissory note in the amount of $4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note as of September 30, 2017, is $1,623,919.

At September 30, 2017, accounts and notes receivable on the Statement of Net Position represent 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 corporations the City has elected to expense the advance at the time of transfer. At September 30, 2017, accounts receivable includes $2,231,360 representing sales tax owed to MEDC. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2017.

At September 30, 2017, accounts receivable include $2,231,360 representing sales tax owed to MCDC and accrued interest of $1,810. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2017.

At September 30, 2017, MMS accounts receivable include $16,159 for services provided. Receivables as of year-end for MMS were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2017.

D. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 32,487,171	$ 297,755	$ (801,783)	$ 864,262	$ 32,847,405
Works of art	18,000	8,000	-	-	26,000
Construction in progress	19,757,256	32,988,215	(2,926,651)	(13,817,163)	36,001,657
Total capital assets, not being depreciated	52,262,427	33,293,970	(3,728,434)	(12,952,901)	68,875,062
Capital assets being depreciated:					
Buildings	128,666,170	33,643,574	(163,477)	2,887,465	165,033,732
Infrastructure	697,238,230	50,804,574	(210,310)	9,812,825	757,645,319
Machinery and equipment	56,280,694	7,297,804	(7,540,934)	252,611	56,290,175
Service animals	40,000	-	-	-	40,000
Total capital assets being depreciated	882,225,094	91,745,952	(7,914,721)	12,952,901	979,009,226
Less accumulated depreciation for:					
Buildings	(35,082,880)	(3,873,578)	163,477	-	(38,792,981)
Infrastructure	(350,415,628)	(31,993,065)	210,310	-	(382,198,383)
Machinery and equipment	(37,508,592)	(4,298,819)	7,359,819	-	(34,447,592)
Service animals	(8,369)	(5,286)	-	-	(13,655)
Total accumulated depreciation	(423,015,469)	(40,170,748)	7,733,606	-	(455,452,611)
Total capital assets being depreciated, net	459,209,625	51,575,204	(181,115)	12,952,901	523,556,615
Governmental activities, capital assets, net	$ 511,472,052	$ 84,869,174	$ (3,909,549)	$ -	$ 592,431,677

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 30,431,311	$ -	$ (1,071,406)	$ 628,853	$ 29,988,758
Construction in progress	22,560,330	8,513,984	(643,752)	(21,590,171)	8,840,391
Total capital assets, not being depreciated	52,991,641	8,513,984	(1,715,158)	(20,961,318)	38,829,149
Capital assets being depreciated:					
Buildings	38,660,201	-	(9,364)	-	38,650,837
Infrastructure	446,344,225	25,824,903	(531,205)	20,795,151	492,433,074
Machinery and equipment	11,571,087	1,993,858	(560,521)	166,167	13,170,591
Total capital assets being depreciated	496,575,513	27,818,761	(1,101,090)	20,961,318	544,254,502
Less: accumulated depreciation for:					
Buildings	(9,542,509)	(1,424,674)	9,364	-	(10,957,819)
Infrastructure	(106,374,711)	(10,906,737)	296,608	-	(116,984,840)
Machinery and equipment	(6,431,053)	(1,071,985)	485,134	-	(7,017,904)
Total accumulated depreciation	(122,348,273)	(13,403,396)	791,106	-	(134,960,563)
Total capital assets being depreciated, net	374,227,240	14,415,365	(309,984)	20,961,318	409,293,939
Business-type activities, capital assets, net	$ 427,218,881	$ 22,929,349	$ (2,025,142)	$ -	$ 448,123,088

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

Governmental Activities:	
Development	$ 262,128
Fire	2,065,359
Fleet maintenance	37,424
General government	2,463,411
Libraries	402,525
Parks and recreation	3,774,318
Police	1,405,390
Public works	29,760,193
Total depreciation expense governmental activities	$ 40,170,748
Business Type-Activities:	
Airport	$ 3,636,242
Golf Course	168,380
Solid Waste	53,389
Surface Water Drainage	26,666
Water and Wastewater	9,518,719
Total depreciation expense business-type activities	13,403,396
Airport	
Amortization of excess cost of consideration	393,067
Total depreciation and amortization business-type activities	$ 13,796,463

Capital asset activity for discretely presented component units for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets not being depreciated:					
Land	$ 15,007,272	$ 1,100,000	$ (1,317,859)	$ -	$ 14,789,413
Total capital assets, not being depreciated	15,007,272	1,100,000	(1,317,859)	-	14,789,413
Capital assets being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	28,231	-	-	-	28,231
Total capital assets being depreciated	286,014	-	-	-	286,014
Less: accumulated depreciation for:					
Improvements other than buildings	(233,079)	(12,889)	-	-	(245,968)
Machinery and equipment	(26,617)	(1,076)	-	-	(27,693)
Total accumulated depreciation	(259,696)	(13,965)	-	-	(273,661)
Total capital assets being depreciated, net	26,318	(13,965)	-	-	12,353
Capital assets, net	$ 15,033,590	$ 1,086,035	$ (1,317,859)	$ -	$ 14,801,766

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCDC:					
Capital assets not being depreciated:					
Land	$ 4,970,062	$ -	$ -	$ -	$ 4,970,062
Construction in progress	27,421,069	5,513,061	(32,934,130)	-	-
Total capital assets, not being depreciated	32,391,131	5,513,061	(32,934,130)	-	4,970,062
Capital assets being depreciated:					
Infrastructure	2,823,107	-	-	-	2,823,107
Total capital assets being depreciated	2,823,107	-	-	-	2,823,107
Less: accumulated depreciation for:					
Infrastructure	(685,385)	(141,883)	-	-	(827,268)
Total accumulated depreciation	(685,385)	(141,883)	-	-	(827,268)
Total capital assets, being depreciated, net	2,137,722	(141,883)	-	-	1,995,839
Capital assets, net	$ 34,528,853	$ 5,371,178	$ (32,934,130)	$ -	$ 6,965,901

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MMS:					
Capital assets being depreciated:					
Machinery and equipment	$ -	$ 41,581	$ -	$ -	$ 41,581
Total capital assets being depreciated	-	41,581	-	-	41,581
Less: accumulated depreciation for:					
Machinery and equipment	-	(4,272)	-	-	(4,272)
Total accumulated depreciation	-	(4,272)	-	-	(4,272)
Total capital assets, being depreciated, net	-	37,309	-	-	37,309
Capital assets, net	$ -	$ 37,309	$ -	$ -	$ 37,309

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2017. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was expenditures not spent.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 190,755,919	$ 57,047,108	$ 133,708,811
Water and Wastewater	95,093,029	23,841,294	71,251,735
Airport	15,185,395	8,058,106	7,127,289
Total	$ 301,034,343	$ 88,946,508	$ 212,087,835

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
MCDC	$ 33,101,223	$ 33,101,223	$ -

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 254,402	Franchise fee accrual
General Fund	Solid Waste	32,462	License fee accrual
General Fund	Nonmajor Governmental Funds	98,000	To cover cash shortage
Water/Wastewater Fund	Solid Waste	13,809	Sanitation billing accrual
		$ 398,673	

Transfers between funds during the year were as follows:

	Transfers In							
Transfers Out	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Water and Wastewater Fund	Airport Fund	Nonmajor Enterprise Funds	Fleet Maintenance Fund	Total
General Fund	$ -	$ 11,017,037	$ 62,113	$ -	$ 613,513	$ -	$ -	$ 11,692,663
Debt Service Fund	321,678	-	-	-	-	-	-	321,678
Nonmajor Governmental Funds	241,000	-	-	-	-	-	-	241,000
Water/Wastewater Fund	2,059,818	-	-	-	-	59,495	-	2,119,313
Nonmajor Enterprise Funds	661,600	-	-	-	-	-	-	661,600
Fleet Maintenance Fund	58,000	-	-	-	-	-	-	58,000
Governmental Activities	-	-	-	425,807	-	85,111	290,359	801,277
	$ 3,342,096	$ 11,017,037	$ 62,113	$ 425,807	$ 613,513	$ 144,606	$ 290,359	$ 15,895,531

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- 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.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of $2,721,418 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees and capital replacements which are expected to be paid from governmental activities.
- Transfers of $11,017,037 were made from the general fund to the capital projects fund for streets improvements and facilities projects.

The schedule above reflects cash and capital asset transfers. Capital asset transfers totaling $801,277 are reflected in the Governmental Activities Transfers Out row.

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, 2017, is $730,945. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

In March 2017, City Council approved a loan from the solid waste fund to the airport fund. The loan was issued in the amount of $5,000,000, which was the balance as of September 30, 2017. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028.

F. Unavailable/Unearned Revenue

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	Unavailable Revenue	Unearned Revenue
Tax revenue	$ 767,448	$ 326,236	$ -	$ 1,093,684	$ -
Court revenue	1,291,683	-	-	1,291,683	-
EMS revenue	224,887	-	-	224,887	-
Franchise fees	1,006,450	-	-	1,006,450	-
Miscellaneous	1,011,208	-	-	-	1,011,208
Grants	-	-	1,333,697	-	1,333,697
	$ 4,301,676	$ 326,236	$ 1,333,697	$ 3,616,704	$ 2,344,905

G. Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2017, is as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General obligation bonds	$ 190,285,000	$ 21,965,000	$ (29,625,000)	$ 182,625,000	$ 18,685,000
Certificates of obligation	54,330,000	-	(11,250,000)	43,080,000	1,880,000
Tax notes	3,720,000	-	(1,215,000)	2,505,000	1,240,000
	248,335,000	21,965,000	(42,090,000)	228,210,000	21,805,000
Issuance premium	19,921,297	2,695,707	(2,923,162)	19,693,842	3,229,635
Total bonds payable	268,256,297	24,660,707	(45,013,162)	247,903,842	25,034,635
Capital lease	1,379,321	-	(284,211)	1,095,110	291,915
OPEB liability	1,283,712	1,071,523	-	2,355,235	-
Net pension liability	38,446,817	1,893,237	-	40,340,054	-
Compensated absences	9,764,379	1,335,369	-	11,099,748	844,006
Governmental activity long-term debt	$ 319,130,526	$ 28,960,836	$ (45,297,373)	$ 302,793,989	$ 26,170,556
Business-type Activities:					
Bonds payable:					
Water and wastewater revenue bonds	$ 73,640,000	$ 46,520,000	$ (18,200,000)	$ 101,960,000	$ 5,785,000
Issuance premium	6,297,575	7,377,329	(888,265)	12,786,639	-
Total bonds payable	79,937,575	53,897,329	(19,088,265)	114,746,639	5,785,000
Net pension liability	4,963,014	374,261	-	5,337,275	-
Compensated absences	880,971	74,732	-	955,703	158,449
Business-type activity long-term debt	$ 85,781,560	$ 54,346,322	$ (19,088,265)	$ 121,039,617	$ 5,943,449

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MEDC					
Bonds payable:					
Sales tax revenue bonds	$ 11,710,000	$ 7,020,000	$ (8,095,000)	$ 10,635,000	$ 1,155,000
Note payable to primary government	2,423,840	-	(799,921)	1,623,919	807,920
Net pension liability	449,979	-	(15,098)	434,881	-
Compensated absences	66,548	3,431	-	69,979	5,367
Component unit activities:					
Long-term debt	$ 14,650,367	$ 7,023,431	$ (8,910,019)	$ 12,763,779	$ 1,968,287

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MCDC					
Bonds payable:					
Sales tax revenue bonds	$ 23,315,000	$ -	$ (960,000)	$ 22,355,000	$ 975,000
Net pension liability	123,524	-	(27,804)	95,720	-
Compensated absences	33,283	4,315	-	37,598	2,884
Component unit activities:					
Long-term debt	$ 23,471,807	$ 4,315	$ (987,804)	$ 22,488,318	$ 977,884

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MCVB					
Net pension liability	$ 132,347	$ 31,956	$ -	$ 164,303	$ -
Compensated absences	53,498	6,637	-	60,135	4,612
Component unit activities:					
Long-term debt	$ 185,845	$ 38,593	$ -	$ 224,438	$ 4,612

Compensated Absences

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

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include $228,210,000 of Bonds, Certificates of Obligation, and Tax Notes with interest rates ranging from 1.42% to 5.00% maturing annually in varying amounts through 2035. Interest for these obligations is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. The Certificates are additionally secured, by a limited pledge of certain net revenues of the City as specified in their official statements.

In August 2017, the City issued $21,965,000 General Obligation Refunding Bonds, Series 2017. The debt was issued to refund the outstanding maturities of the Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2008 and the General Obligation Bonds, Series 2008. Proceeds from the sale of bonds totaled $24,660,707. Of these proceeds, $24,461,495 was placed with an escrow agent to pay off the remaining principal and accrued interest in August 2017. The new obligations are payable over the next nine years. The refunding resulted in a decrease in the City's debt service payments of $5,072,072 which equates to an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $3,670,290.

Debt service requirements of the general obligation bonds, certificates of obligation bonds, and tax notes for the years subsequent to September 30, 2017, are as follows:

	General Obligation Bonds			Certificates of Obligation		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements
2018	$ 18,685,000	$ 8,415,130	$ 27,100,130	$ 1,880,000	$ 1,731,038	$ 3,611,038
2019	15,405,000	7,624,496	23,029,496	1,765,000	1,678,093	3,443,093
2020	15,315,000	6,957,861	22,272,861	1,770,000	1,625,636	3,395,636
2021	15,685,000	6,243,086	21,928,086	1,935,000	1,569,422	3,504,422
2022	16,070,000	5,481,099	21,551,099	2,095,000	1,503,764	3,598,764
2023-2027	56,555,000	16,715,589	73,270,589	14,375,000	6,212,451	20,587,451
2028-2032	29,460,000	7,165,805	36,625,805	14,905,000	2,562,506	17,467,506
2033-2035	15,450,000	1,402,420	16,852,420	4,355,000	400,172	4,755,172
	$ 182,625,000	$ 60,005,486	$ 242,630,486	$ 43,080,000	$ 17,283,083	$ 60,363,083

	Tax Notes			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Total GO, CO, and Tax Notes Requirements
2018	$ 1,240,000	$ 50,100	$ 1,290,100	$ 32,001,268
2019	1,265,000	25,300	1,290,300	27,762,889
2020	-	-	-	25,668,497
2021	-	-	-	25,432,508
2022	-	-	-	25,149,863
2023-2027	-	-	-	93,858,040
2028-2032	-	-	-	54,093,311
2033-2035	-	-	-	21,607,592
	$ 2,505,000	$ 75,400	$ 2,580,400	$ 305,573,969

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. The City Charter does not prescribe a debt limit.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 2.00% to 5.00%, maturing annually in varying amounts through years 2037 and interest is payable semi-annually. Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund and the Debt Service Reserve Fund established by the bond ordinances. The ordinances provide that the gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on revenue bonds was less than 40 percent of net revenues. The City is in compliance with the revenue bond debt covenants as of September 30, 2017.

In August 2017, the City issued $46,520,000 Waterworks and Sewer System Revenue Refunding and Improvements Bonds, Series 2017. The debt was issued to fund capital improvements to the System and to refund the outstanding maturities of the Waterworks and Sewer System Revenue Bonds, Series 2008 and the Waterworks and Sewer System Revenue Bonds, Series 2009. Proceeds from the sale of bonds totaled $53,897,329. Of these proceeds, $14,073,973 was placed with an escrow agent to pay off the remaining principal and accrued interest in August 2017. The new obligations are payable over the next 20 years. The refunding resulted in a decrease in the City's debt service payments of $1,752,599 (excluding new debt) which equates to an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $1,505,831.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2017, are as follows:

	Revenue Bonds		
Fiscal Year	**Principal**	**Interest**	**Total**
2018	$ 5,785,000	$ 4,472,257	$ 10,257,257
2019	5,940,000	4,102,181	10,042,181
2020	6,670,000	3,842,206	10,512,206
2021	6,825,000	3,556,938	10,381,938
2022	7,015,000	3,253,194	10,268,194
2023-2027	32,705,000	11,885,250	44,590,250
2028-2032	19,325,000	6,061,484	25,386,484
2033-2037	17,695,000	1,911,575	19,606,575
	$ 101,960,000	$ 39,085,085	$ 141,045,085

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from .75% to 4.38%, maturing annually in varying amounts through years 2035 and interest is payable semi-annually. These bonds are special obligations of the corporations payable from and secured by a lien on and pledge of the proceeds of the ¼ of the ½ cent sales and use tax levied within the City for the benefit of the respective component unit corporation.

The sales tax revenue bonds are used to defray the cost of any "project" defined as such by the Development Corporation Act of 1979, as amended. MEDC bonds were issued for approved projects of runway improvements at the City's airport and land acquisition. MCDC bonds were issued to construct and equip a community aquatics and fitness center to be donated to the City. These bonds are collateralized by the gross sales tax revenues of the corporations and the various special funds established by the bond ordinances. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on sales tax revenue bonds for the Corporations were less than 15% of gross sales tax revenues. The Corporations are in compliance with the bond covenants as of September 30, 2017.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2017, are as follows:

MEDC Fiscal Year	Sales Tax Revenue 2011 Bonds			Sales Tax Revenue 2016 Taxable Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	$ 470,000	$ 171,463	$ 641,463	$ 685,000	$ 156,497	$ 841,497
2019	490,000	157,362	647,362	705,000	139,440	844,440
2020	500,000	140,213	640,213	745,000	121,885	866,885
2021	525,000	120,213	645,213	770,000	103,335	873,335
2022	550,000	99,212	649,212	800,000	84,162	884,162
2023-2025	1,815,000	158,487	1,973,487	2,580,000	129,978	2,709,978
	$ 4,350,000	$ 846,950	$ 5,196,950	$ 6,285,000	$ 735,297	$ 7,020,297

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2018	$ 975,000	$ 745,876	$ 1,720,876
2019	990,000	730,792	1,720,792
2020	1,010,000	711,230	1,721,230
2021	1,030,000	688,848	1,718,848
2022	1,055,000	663,284	1,718,284
2023-2027	5,745,000	2,850,808	8,595,808
2028-2032	6,790,000	1,805,921	8,595,921
2033-2035	4,760,000	397,663	5,157,663
	$ 22,355,000	$ 8,594,422	$ 30,949,422

MEDC Sales Tax Revenue Refunding

In December 2016, the MEDC issued $7,020,000 Sales Tax Revenue Refunding Bonds, Taxable Series 2016. The debt was issued to refund the Sales Tax Revenue Bonds, Taxable Series 2011. Proceeds from the sale of bonds totaled $7,095,521. Of these proceeds, $7,038,162 was used to currently refund the remaining principal and accrued interest in December 2016. The new obligations are payable over the next eight years. The refunding resulted in a decrease in the MEDC's debt service payments of $971,589 which equates to an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $797,526.

Note Payable

Notes Payable to Primary Government consisted of Tax Exempt 2002 Bonds.

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, 2017, is $1,623,919.

Debt service requirements of the notes payable applicable to the Tax Exempt 2002 bonds for the years subsequent to September 30, 2017, are as follows:

MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2018	$ 807,920	$ 16,239	$ 824,159
2019	815,999	8,160	824,159
	$ 1,623,919	$ 24,399	$ 1,648,318

Capital Leases

The City has entered into two capital leases to acquire fire trucks classified as general government machinery and equipment in the gross amount of $2,451,255. Debt service requirements of the City's capital leases for the years subsequent to September 30, 2017, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2018	$ 291,915	$ 29,765	$ 321,680
2019	299,825	21,853	321,678
2020	307,953	13,726	321,679
2021	195,417	5,379	200,796
	$ 1,095,110	$ 70,723	$ 1,165,833

H. Restricted Assets

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

	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Operating Fund	$ 3,824,976	$ -	$ 3,824,976
Utility Capital Projects Fund	79,659,146	35,531	79,694,677
Utility Development Impact Fee	9,415,280	-	9,415,280
Revenue Debt Service Fund	6,060,737	-	6,060,737
Revenue Bond Reserve Fund	6,404,519	19,579	6,424,098
Airport Funds:			
Operating Fund	130,545	-	130,545
Airport Construction Fund	8,181,971	-	8,181,971
Surface Water Drainage Fund	3,000	-	3,000
Golf Course Fund	10,000	-	10,000
Solid Waste Fund	-	1,604	1,604
	$ 113,690,174	$ 56,714	$ 113,746,888

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 of principal and interest on all the revenue bonds. At September 30, 2017, net position is sufficient to satisfy such bond ordinance requirements.

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

(4) DEFERRED COMPENSATION PLAN

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

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

(5) PENSION PLAN

A. Plan Description

The City and three of its component units participate as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms:

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	269
Inactive employees entitled to but not yet receiving benefits	363
Active employees	962
Total	1,594

B. Contributions

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2017, the City made contributions of $10,387,413 or 15.27% of covered payroll.

C. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.15%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
Total	100%	

E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of September 30, 2015	$ 227,583,297	$ 183,467,616	$ 44,115,681
Changes for the year:			
Service cost	11,777,430	-	11,777,430
Interest on total pension liability	15,547,224	-	15,547,224
Effect of difference in expected and actual experience	1,237,911	-	1,237,911
Benefit payments	(6,285,532)	(6,285,532)	-
Administrative expenses	-	(140,032)	140,032
Member contributions	-	4,433,984	(4,433,984)
Net investment income	-	12,404,196	(12,404,196)
Employer contributions	-	9,615,410	(9,615,410)
Other	-	(7,545)	7,545
Balances as of September 30, 2016	$ 249,860,330	$ 203,488,097	$ 46,372,233
City	$ 246,116,085	$ 200,438,756	$ 45,677,329
Component Units	$ 3,744,245	$ 3,049,341	$ 694,904

F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and its component units, calculated using the discount rate of 6.75%, as well as what the City and its component unit's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 86,372,086	$ 45,677,329	$ 12,786,363
Component unit's net pension liability			
MEDC	822,325	434,881	121,735
MCDC	180,998	95,720	26,795
MCVB	310,684	164,303	45,993

G. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

H Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2017, the City and its component units recognized pension expense of $13,437,537 and $204,430, respectively.

At September 30, 2017, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		MEDC		MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,248,671	$ (1,049,877)	$ 21,409	$ (9,996)	$ 4,712	$ (2,200)	$ 8,089	$ (3,776)
Changes of assumptions	-	(2,882)	-	-	-	-	-	-
Differences between projected and actual investment earnings	7,883,233	-	75,054	-	16,520	-	28,356	-
Contributions subsequent to the measurement date through year-end	7,477,939	-	71,195	-	15,671	-	26,898	-
Total	$ 17,609,843	$ (1,052,759)	$ 167,658	$ (9,996)	$ 36,903	$ (2,200)	$ 63,343	$ (3,776)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $7,477,939 and $113,764 will be recognized as a reduction of the net pension liability of the City and its component units, respectively, for the year ending September 30, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2018	$ 2,943,011	$ 28,020	$ 6,167	$ 10,586
2019	2,943,009	28,020	6,167	10,586
2020	2,543,611	24,217	5,330	9,149
2021	176,799	1,710	378	647
2022	351,880	3,350	737	1,266
Thereafter	120,835	1,150	253	435
Total	$ 9,079,145	$ 86,467	$ 19,032	$ 32,669

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, 2017, 2016, and 2015, were $88,957, $72,775 and $76,574, 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 POSTEMPLOYMENT BENEFITS

A. Plan Description

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

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

As of September 30, 2017, membership consisted of:

Retirees and beneficiaries receiving benefits	22
Terminated employees eligible for benefits, but not yet enrolled	4
Active employees	940
Total	966

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 the effective date of retirement; and

3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

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:

CITYCARE PPO			CITYCARE PLUS PPO		
Single Coverage	$	587	Single Coverage	$	648
Singe + Spouse	$	1,219	Singe + Spouse	$	1,433
Single + Children	$	1,077	Single + Children	$	1,256
Single + Family	$	1,605	Single + Family	$	1,871

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, 2017:

	2017	2016	2015
Annual required contribution	$ 1,412,000	$ 648,340	$ 648,340
Interest on prior year net OPEB obligation	51,348	43,914	35,908
Adjustment to annual required contribution	(50,022)	(61,414)	(50,227)
Annual OPEB cost	1,413,326	630,840	634,021
Contributions made	341,803	323,000	456,096
Increase (decrease) in net OPEB obligation	1,071,523	307,840	177,925
Net OPEB obligation, beginning of year	1,283,712	975,872	797,947
Net OPEB obligation, end of year	$ 2,355,235	$ 1,283,712	$ 975,872
Percentage of OPEB costs contributed	24.2%	51.2%	71.9%

Funded Status and Funding Progress:

The funded status of the plan as of actuarial measurement date of December 31, 2016, was as follows:

Actuarial accrued liability (AAL)	$ 14,237,113
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 14,237,113
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll	$ 63,285,492
Unfunded actuarial accrued liability as a percentage of covered payroll	22.50%

Although not considered contributions under GASB 45, the City has assigned $3,317,131 of fund balance in the General Fund for funding of the OPEB liability.

F. Actuarial Methods and Assumptions

The Individual Entry Age Normal Cost Method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	2.50 per annum
Investment rate of return	4.00% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Medical trend	Initial rate of 7.50%, declining to an unlitmate rate of 4.25% after 15 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(7) DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool’s governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017:

Primary Government	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal agency securities	$ 66,902,929	$ -	$ 66,902,929	$ -
Municipal bonds	4,555,134	-	4,555,134	-
Total investments by fair value level	71,458,063	$ -	$ 71,458,063	$ -
Investments measured at net asset value				
LOGIC	134,177,894			
TexasDAILY	47,891,196			
Texas CLASS	91,764,103			
	273,833,193			
Investment measured at amortized cost				
TexPool/TexPOOL Prime	62,605,029			
Non-negotiable certificates of deposit	5,077,273			
Total investments	$ 412,973,558			

MCDC	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal agency securities	$ 2,686,904	$ -	$ 2,686,904	$ -
Investments measured at net asset value				
LOGIC	9,456,999			
TexasDAILY	11,140,542			
Texas CLASS	4,841,344			
	25,438,885			
Investment measured at amortized cost				
TexPool/TexPOOL Prime	13,284,985			
Total investments	$ 41,410,774			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2017, no investments held by the City met the Level 3 hierarchy classification.

(8) 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, 2017, were $27,136,829.

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, 2017, was $16,902,108.

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, 2017, was $5,381,333.

(9) 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.

(10) 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 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, 2017, are as follows:

	NTMWD Debt Service *	McKinney's Allocated Share
Water System	$ 1,337,875,000	$ 151,523,709
Wastewater System	478,405,000	97,763,070
Solid Waste System	48,120,000	10,496,931
Total	$ 1,864,400,000	$ 259,783,710

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

(11) INSURANCE AND RISK MANAGEMENT

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

The City provides health care benefits to City employees under a partially self-insured plan (the "Plan"). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess ("stop loss") insurance policy covering individual claims in excess of $150,000. The City utilizes the Allegiance 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, 2017, the City and the City's employees' contributions paid under the Plan were $13,591,192 and $2,537,358 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 Insurance and Risk Management internal service 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 $675,000. During 2017, the City contributed $201,818 for workers' compensation coverage.

The City maintains deductibles of $100,000 per occurrence for Error and Omissions, $50,000 per occurrence for Auto Liability, $25,000 per occurrence for Property, and up to $10,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through STARR Companies with a $10,000 deductible. During 2017, the City contributed $613,785 for property and general liability coverage.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the 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 2017 and 2016 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2017:				
Health Claims	$ 552,543	$ 11,604,311	$ (11,452,969)	$ 703,885
Workers' Comp	338,730	840,914	(803,954)	375,690
Total	$ 891,273	$ 12,445,225	$ (12,256,923)	$ 1,079,575

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2016:				
Health Claims	$ 507,702	$ 11,647,243	$ (11,602,402)	$ 552,543
Workers' Comp	219,150	757,248	(637,668)	338,730
Total	$ 726,852	$ 12,404,491	$ (12,240,070)	$ 891,273

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.

(12) TAX ABATEMENTS AND GRANTS

The City offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of McKinney.

For the fiscal year ended September 30, 2017, the City of McKinney abated property taxes totaling $109,552 under Chapter 312 of the Texas Local Government Code. The $109,552 consists of the following tax abatement agreements:

- A 40 percent property tax abatement to Torchmark Corporation for relocating its corporate headquarters and certain departments and functions of its other wholly-owned subsidiaries to the City. The abatement amounted to $55,232.

- A 50 percent property tax abatement to Wistron GreenTech Corporation for relocating their operations to the City. The abatement amounted to $36,311.

- A 50 percent property tax abatement to Manner Plastics, L.P. for expanded their facility already located within the City. The abatement amounted to $18,009.

For the fiscal year ended September 30, 2017, the City of McKinney sent property and sales tax grants totaling $174,361 under Chapter 380 of the Texas Local Government Code, including the following grant agreements that each exceeded 15 percent of the total amount abated/granted:

- A 100 percent property tax grant to Gateway Hotel One, Ltd., for the development of a hotel and event center. The grant amounted to $51,570.

- A 50 percent sales tax grant to Target Corporation for constructing and operating a retail facility in the City with the primary goal of providing high quality retail products and services to the citizens of McKinney. The grant amounted to $52,200.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
(UNAUDITED)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service cost	$ 9,534,719	$ 11,440,134	$ 11,777,430
Interest	13,426,027	14,599,379	15,547,224
Difference between expected and actual experience	(1,820,025)	1,730,171	1,237,911
Change in assumptions	-	(4,050)	-
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)
Net change in total pension liability	16,527,934	21,715,972	22,277,033
Total pension liability - beginning	189,339,391	205,867,325	227,583,297
Total pension liability - ending (a)	205,867,325	227,583,297	249,860,330
Plan fiduciary net position:			
Contributions - employer	8,510,170	9,752,849	9,615,410
Contributions - employee	3,855,271	4,348,528	4,433,984
Net investment income	9,074,467	258,721	12,404,196
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)
Administrative expense	(94,724)	(157,574)	(140,032)
Other	(7,788)	(7,782)	(7,545)
Net change in plan fiduciary net position	16,724,609	8,145,080	20,020,481
Plan fiduciary net position - beginning	158,597,927	175,322,536	183,467,616
Plan fiduciary net position - ending (b)	175,322,536	183,467,616	203,488,097
City's net pension liability - ending (a) - (b)	$ 30,544,789	$ 44,115,681	$ 46,372,233
Plan fiduciary net position as a percentage of total pension liability	85.16%	80.62%	81.44%
Covered payroll	$ 54,810,138	$ 61,939,002	$ 63,285,492
City's net pension liability as a percentage of covered payroll	55.73%	71.22%	73.27%

Other Information:
The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
(UNAUDITED)

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Actuarially determined contribution	$ 9,195,319	$ 9,521,438	$ 10,387,413
Contribution in relation of the actuarially determined contribution	9,195,319	9,521,438	10,387,413
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 58,299,396	$ 62,005,210	$ 68,046,988
Contributions as a percentage of covered payroll	15.77%	15.36%	15.27%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

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

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Covered Payroll	UAAL as a Percentage of Covered Payroll
2015	$ -	$ 4,970,650	$ 4,970,650	0.0%	$ 54,810,088	9.1%
2016	-	4,970,650	4,970,650	0.0%	61,933,300	8.0%
2017	-	14,237,113	14,237,113	0.0%	68,046,988	20.9%

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget- Positive(Negative)
REVENUES				
Property tax	$ 29,321,942	$ 29,681,942	$ 29,823,102	$ 141,160
Investment income	72,000	145,000	208,919	63,919
Total revenues	29,393,942	29,826,942	30,032,021	205,079
EXPENDITURES				
Principal retirement	18,025,000	18,025,000	18,025,000	-
Interest and fiscal charges	10,990,711	11,112,411	11,173,175	60,764
Total expenditures	29,015,711	29,137,411	29,198,175	60,764
Excess (deficiency) of revenues over (under) expenditures	378,231	689,531	833,846	144,315
OTHER FINANCING SOURCES				
Issuance of long-term debt	-	-	21,965,000	21,965,000
Deposit to bond refunding escrow agent	-	-	(24,461,495)	(24,461,495)
Premium on issuance of long-term debt	-	-	2,695,707	2,695,707
Transfers out	(321,678)	(321,678)	(321,678)	-
Total other financing sources	(321,678)	(321,678)	(122,466)	199,212
Net change in fund balance	56,553	367,853	711,380	343,527
Fund Balance, Beginning of Year	3,894,517	3,894,517	3,894,517	-
Fund Balance, End of Year	$ 3,951,070	$ 4,262,370	$ 4,605,897	$ 343,527

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CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 20,288,546	$ 5,678,758	$ (14,609,788)
Contributions	17,375,000	19,521,288	13,785,922	(5,735,366)
Investment income	300,000	6,960,473	1,297,185	(5,663,288)
Miscellaneous	-	19,097	2,362,689	2,343,592
Total revenues	17,675,000	46,789,404	23,124,554	(23,664,850)
EXPENDITURES				
General government	187,398	32,891,251	1,227,432	31,663,819
Police	-	-	4,773,003	(4,773,003)
Fire	-	7,762,429	4,173,383	3,589,046
Libraries	-	9,500,000	105,418	9,394,582
Development	-	-	1,725,901	(1,725,901)
Parks and recreation	12,525,000	26,236,225	5,852,508	20,383,717
Public works	28,787,593	91,510,953	15,398,015	76,112,938
Total expenditures	41,499,991	167,900,858	33,255,660	134,645,198
Deficiency of revenues over expenditures	(23,824,991)	(121,111,454)	(10,131,106)	110,980,348
OTHER FINANCING SOURCES				
Issuance of long-term debt	26,000,000	7,250,000	-	(7,250,000)
Transfers in	2,000,000	14,517,037	11,017,037	(3,500,000)
Total other financing sources	28,000,000	21,767,037	11,017,037	(10,750,000)
Net change in fund balances	4,175,009	(99,344,417)	885,931	100,230,348
Fund Balance, Beginning of Year	138,397,976	138,397,976	138,397,976	-
Fund Balance, End of Year	$ 142,572,985	$ 39,053,559	$ 139,283,907	$ 100,230,348

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NONMAJOR 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.

DONATIONS FUND – to account for funds provided by private donors and other governmental agencies to assist in the purchase of fire department equipment and related expenses, supporting library operations, and for the purpose of maintaining facilities and support special events at Veterans Memorial Park.

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.

URBAN TRANSIT DISTRICT FUND – to account for joint use transit operations of four member cities including joint cost arrangement and administration and use of grant funding.

HOUSING FINANCE FUND – to account for financing the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices.

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.

PEG CABLE CHANNEL FUND – to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

CAPITAL PROJECTS FUND

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.

CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
ASSETS					
Cash and cash equivalents	$ 2,771,681	$ 601,494	$ 217,421	$ 140,427	$ 166,969
Receivables:					
Other taxes and fees	149,284	-	-	-	-
Due from other governments	-	-	-	120,379	14,344
Prepaid items	-	-	-	11,135	-
Total assets	$ 2,920,965	$ 601,494	$ 217,421	$ 271,941	$ 181,313
LIABILITIES					
Accounts payable	$ 1,070	$ 10,101	$ 33,238	$ 32,919	$ -
Other accrued liabilities	-	68,775	-	46,615	-
Due to other funds	-	-	-	98,000	-
Unearned revenue	-	-	-	-	1,000
Total liabilities	1,070	78,876	33,238	177,534	1,000
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	-	11,135	-
Restricted:					
Capital projects	-	-	-	-	-
Law enforcement	-	522,618	-	-	-
Fire	-	-	42,529	-	-
PEG	-	-	-	-	-
Library	-	-	131,231	-	-
Community Housing	-	-	-	83,272	-
Veterans Memorial Park	-	-	10,423	-	-
Hotel/Motel	2,919,895	-	-	-	-
Transit	-	-	-	-	-
Grants	-	-	-	-	180,313
Assigned:					
Capital equip replacement	-	-	-	-	-
Total fund balances	2,919,895	522,618	184,183	94,407	180,313
Total liabilities and fund balances	$ 2,920,965	$ 601,494	$ 217,421	$ 271,941	$ 181,313

Special Revenue Funds					Capital Projects	
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Governmental Funds
$ 36,088	$ 144,498	$ 6,634,019	$ 3,251,357	$ 1,561,919	$ 9,771,658	$ 25,297,531
-	-	4,902	1,271	85,753	-	241,210
44,561	-	-	-	-	-	179,284
-	240	-	-	-	79,184	90,559
$ 80,649	$ 144,738	$ 6,638,921	$ 3,252,628	$ 1,647,672	$ 9,850,842	$ 25,808,584
$ 5,905	$ -	$ -	$ -	$ 280,969	$ 64,800	$ 429,002
2,591	-	-	-	32,653	-	150,634
-	-	-	-	-	-	98,000
-	-	-	-	-	-	1,000
8,496	-	-	-	313,622	64,800	678,636
-	240	-	-	-	79,184	90,559
-	-	6,638,921	3,252,628	-	3,064,768	12,956,317
-	-	-	-	-	-	522,618
-	-	-	-	-	-	42,529
-	-	-	-	1,334,050	-	1,334,050
-	-	-	-	-	-	131,231
-	144,498	-	-	-	-	227,770
-	-	-	-	-	-	10,423
-	-	-	-	-	-	2,919,895
72,153	-	-	-	-	-	72,153
-	-	-	-	-	-	180,313
-	-	-	-	-	6,642,090	6,642,090
72,153	144,738	6,638,921	3,252,628	1,334,050	9,786,042	25,129,948
$ 80,649	$ 144,738	$ 6,638,921	$ 3,252,628	$ 1,647,672	$ 9,850,842	$ 25,808,584

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
REVENUES					
Property tax	$ -	$ -	$ -	$ -	$ -
Sales and use taxes	1,508,968	-	-	-	-
Other taxes and fees	-	-	-	-	-
Intergovernmental	-	-	-	780,003	550,909
Charges for services	-	-	-	-	-
Fines and forfeitures	-	210,139	-	-	-
Investment income	5,284	188	474	153	-
Contributions	-	21,530	13,547	-	1,000
Miscellaneous	2,939	-	-	42,739	-
Total revenues	1,517,191	231,857	14,021	822,895	551,909
EXPENDITURES					
Current:					
General government	631,133	-	-	-	-
Police	-	260,025	-	-	100,908
Fire	-	-	19,061	-	-
Libraries	-	-	24,812	-	1,000
Development	-	-	-	813,845	277,086
Parks and recreation	-	-	4,727	-	-
Capital expenditures:					
General government	-	-	-	-	-
Libraries	-	-	48,296	-	-
Police	-	15,000	-	-	-
Fire	-	-	-	-	250,000
Total expenditures	631,133	275,025	96,896	813,845	628,994
Excess (deficiency) of revenues over expenditures	886,058	(43,168)	(82,875)	9,050	(77,085)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(177,000)	-	-	-	-
Total other financing sources (uses)	(177,000)	-	-	-	-
Net Change in Fund Balance	709,058	(43,168)	(82,875)	9,050	(77,085)
Fund Balance, Beginning of Year	2,210,837	565,786	267,058	85,357	257,398
Fund Balance, End of Year	$ 2,919,895	$ 522,618	$ 184,183	$ 94,407	$ 180,313

Special Revenue Funds					Capital Projects	
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Technology Improvement	Total Nonmajor Governmental Funds
$ -	$ -	$ 641,968	$ 153,059	$ -	$ -	$ 795,027
-	-	1,053,979	896,989	-	-	3,459,936
-	-	-	-	353,059	-	353,059
54,536	-	-	-	-	-	1,385,448
-	1,225	-	-	-	1,061,792	1,063,017
-	-	-	-	-	-	210,139
65	369	44,776	13,688	3,663	73,055	141,715
-	-	-	-	-	-	36,077
-	-	-	-	-	-	45,678
54,601	1,594	1,740,723	1,063,736	356,722	1,134,847	7,490,096
44,561	60,123	100,000	-	67,146	613,706	1,516,669
-	-	-	-	-	-	360,933
-	-	-	-	-	-	19,061
-	-	-	-	-	-	25,812
-	-	-	-	-	-	1,090,931
-	-	-	-	-	-	4,727
-	-	-	-	781,411	450,258	1,231,669
-	-	-	-	-	-	48,296
-	-	-	-	-	-	15,000
-	-	-	-	-	-	250,000
44,561	60,123	100,000	-	848,557	1,063,964	4,563,098
10,040	(58,529)	1,640,723	1,063,736	(491,835)	70,883	2,926,998
62,113	-	-	-	-	-	62,113
-	-	(39,000)	(25,000)	-	-	(241,000)
62,113	-	(39,000)	(25,000)	-	-	(178,887)
72,153	(58,529)	1,601,723	1,038,736	(491,835)	70,883	2,748,111
-	203,267	5,037,198	2,213,892	1,825,885	9,715,159	22,381,837
$ 72,153	$ 144,738	$ 6,638,921	$ 3,252,628	$ 1,334,050	$ 9,786,042	$ 25,129,948

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
HOTEL/MOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Sales and use taxes	$ 1,200,000	$ 1,600,000	$ 1,508,968	$ (91,032)
Investment income	1,300	1,500	5,284	3,784
Miscellaneous	400	400	2,939	2,539
Total revenues	1,201,700	1,601,900	1,517,191	(84,709)
EXPENDITURES				
General government	628,000	648,000	631,133	16,867
Total expenditures	628,000	648,000	631,133	16,867
Excess of revenues over expenditures	573,700	953,900	886,058	(67,842)
OTHER FINANCING USES				
Transfers out	(177,000)	(177,000)	(177,000)	-
Total other financing uses	(177,000)	(177,000)	(177,000)	-
Net Change in Fund Balance	396,700	776,900	709,058	(67,842)
Fund Balance, Beginning of Year	2,210,837	2,210,837	2,210,837	-
Fund Balance, End of Year	$ 2,607,537	$ 2,987,737	$ 2,919,895	$ (67,842)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	$ 325,000	$ 325,000	$ 210,139	$ (114,861)
Investment income	150	100	188	88
Contributions	16,000	21,000	21,530	530
Total revenues	341,150	346,100	231,857	(114,243)
EXPENDITURES				
Police	320,000	406,194	275,025	131,169
Total expenditures	320,000	406,194	275,025	131,169
Net Change in Fund Balance	21,150	(60,094)	(43,168)	16,926
Fund Balance, Beginning of Year	565,786	565,786	565,786	-
Fund Balance, End of Year	$ 586,936	$ 505,692	$ 522,618	$ 16,926

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
DONATIONS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Investment income	$ 350	$ 300	$ 474	$ 174
Contributions	12,500	16,500	13,547	(2,953)
Total revenues	12,850	16,800	14,021	(2,779)
EXPENDITURES				
Fire	14,500	22,500	19,061	3,439
Libraries	25,000	95,000	73,108	21,892
Parks and recreation	5,000	5,000	4,727	273
Total expenditures	44,500	122,500	96,896	25,604
Excess (deficiency) of revenues over expenditures	(31,650)	(105,700)	(82,875)	22,825
Net Change in Fund Balance	(31,650)	(105,700)	(82,875)	22,825
Fund Balance, Beginning of Year	267,058	267,058	267,058	-
Fund Balance, End of Year	$ 235,408	$ 161,358	$ 184,183	$ 22,825

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
COMMUNITY HOUSING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 1,347,815	$ 1,347,815	$ 780,003	$ (567,812)
Investment income	-	50	153	103
Miscellaneous	5,000	5,000	42,739	37,739
Total revenues	1,352,815	1,352,865	822,895	(529,970)
EXPENDITURES				
Development	1,352,815	1,382,958	813,845	569,113
Total expenditures	1,352,815	1,382,958	813,845	569,113
Excess (deficiency) of revenues over expenditures	-	(30,093)	9,050	39,143
Net Change in Fund Balance	-	(30,093)	9,050	39,143
Fund Balance, Beginning of Year	85,357	85,357	85,357	-
Fund Balance, End of Year	$ 85,357	$ 55,264	$ 94,407	$ 39,143

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
GRANTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 491,786	$ 385,620	$ 550,909	$ 165,289
Contributions	-	-	1,000	1,000
Total revenues	491,786	385,620	551,909	166,289
EXPENDITURES				
Police	43,841	154,342	100,908	53,434
Fire	450,000	-	250,000	(250,000)
Libraries	3,500	3,500	1,000	2,500
Development	-	305,556	277,086	28,470
Total expenditures	497,341	463,398	628,994	(165,596)
Excess (deficiency) of revenues over expenditures	(5,555)	(77,778)	(77,085)	693
Net Change in Fund Balance	(5,555)	(77,778)	(77,085)	693
Fund Balance, Beginning of Year	257,398	257,398	257,398	-
Fund Balance, End of Year	$ 251,843	$ 179,620	$ 180,313	$ 693

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
URBAN TRANSIT DISTRICT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ -	$ 408,821	$ 54,536	$ (354,285)
Investment income	-	-	65	65
Total revenues	-	408,821	54,601	(354,220)
EXPENDITURES				
General government	-	470,933	44,561	426,372
Total expenditures	-	470,933	44,561	426,372
OTHER FINANCING SOURCES (USES)				
Transfers in	-	62,113	62,113	-
Total other financing sources	-	62,113	62,113	-
Net Change in Fund Balance	-	1	72,153	72,152
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	$ -	$ 1	$ 72,153	$ 72,152

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
HOUSING FINANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Charges of services	$ 8,700	$ 8,700	$ 1,225	$ (7,475)
Investment income	200	100	369	269
Total revenues	8,900	8,800	1,594	(7,206)
EXPENDITURES				
General government	68,650	68,650	60,123	8,527
Total expenditures	68,650	68,650	60,123	8,527
Net Change in Fund Balance	(59,750)	(59,850)	(58,529)	1,321
Fund Balance, Beginning of Year	203,267	203,267	203,267	-
Fund Balance, End of Year	$ 143,517	$ 143,417	$ 144,738	$ 1,321

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 1 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 647,800	$ 647,800	$ 641,968	$ (5,832)
Sales and use taxes	1,349,389	1,349,389	1,053,979	(295,410)
Investment income	7,400	30,000	44,776	14,776
Total revenues	2,004,589	2,027,189	1,740,723	(286,466)
EXPENDITURES				
General government	100,000	150,000	100,000	50,000
Total expenditures	100,000	150,000	100,000	50,000
Excess of revenues over expenditures	1,904,589	1,877,189	1,640,723	(236,466)
OTHER FINANCING USES				
Transfers out	(39,000)	(39,000)	(39,000)	-
Total other financing uses	(39,000)	(39,000)	(39,000)	-
Net Change in Fund Balance	1,865,589	1,838,189	1,601,723	(236,466)
Fund Balance, Beginning of Year	5,037,198	5,037,198	5,037,198	-
Fund Balance, End of Year	$ 6,902,787	$ 6,875,387	$ 6,638,921	$ (236,466)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TIRZ 2 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 156,500	$ 156,500	$ 153,059	$ (3,441)
Sales and use taxes	313,013	313,013	896,989	583,976
Investment income	4,400	9,000	13,688	4,688
Total revenues	473,913	478,513	1,063,736	585,223
OTHER FINANCING USES				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing uses	(25,000)	(25,000)	(25,000)	-
Net Change in Fund Balance	448,913	453,513	1,038,736	585,223
Fund Balance, Beginning of Year	2,213,892	2,213,892	2,213,892	-
Fund Balance, End of Year	$ 2,662,805	$ 2,667,405	$ 3,252,628	$ 585,223

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
PEG CABLE CHANNEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Other taxes and fees	$ 350,000	$ 410,000	$ 353,059	$ (56,941)
Investment income	1,800	1,000	3,663	2,663
Total revenues	351,800	411,000	356,722	(54,278)
EXPENDITURES				
General government	71,250	1,165,345	848,557	316,788
Total expenditures	71,250	1,165,345	848,557	316,788
Excess of revenues over expenditures	280,550	(754,345)	(491,835)	262,510
Net Change in Fund Balance	280,550	(754,345)	(491,835)	262,510
Fund Balance, Beginning of Year	1,825,885	1,825,885	1,825,885	-
Fund Balance, End of Year	$ 2,106,435	$ 1,071,540	$ 1,334,050	$ 262,510

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON (GAAP BASIS)
TECHNOLOGY IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 1,061,792	$ 1,061,792	$ 1,061,792	$ -
Investment income	20,000	50,000	73,055	23,055
Total revenues	1,081,792	1,111,792	1,134,847	23,055
EXPENDITURES				
General government	936,239	2,916,055	1,063,964	1,852,091
Total expenditures	936,239	2,916,055	1,063,964	1,852,091
Net Change in Fund Balance	145,553	(1,804,263)	70,883	1,875,146
Fund Balance, Beginning of Year	9,715,159	9,715,159	9,715,159	-
Fund Balance, End of Year	$ 9,860,712	$ 7,910,896	$ 9,786,042	$ 1,875,146

NONMAJOR 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.

FLEET MAINTENANCE FUND – to account for costs associated with maintenance of the City's operation and service vehicles.

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 218,839	$ 4,441,341	$ 5,444,351	$ 10,104,531
Investments	-	-	2,001,746	2,001,746
Restricted assets:				
Cash and cash equivalents	10,000	3,000	-	13,000
Accrued interest	-	-	1,604	1,604
Accounts receivable (net of allowance for uncollectibles)	8,894	424,214	2,143,832	2,576,940
Notes receivable - interfund	-	-	5,730,945	5,730,945
Notes receivable - component unit	-	-	1,623,919	1,623,919
Prepaid items	-	497	495	992
Total current assets	237,733	4,869,052	16,946,892	22,053,677
NONCURRENT 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	-	364,127	2,886,653
Machinery and equipment	396,138	628,627	669,190	1,693,955
Less accumulated depreciation	(3,055,607)	(540,938)	(855,108)	(4,451,653)
Net capital assets	1,764,432	87,689	506,907	2,359,028
Total Assets	2,002,165	4,956,741	17,453,799	24,412,705
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension contributions	-	106,443	80,370	186,813
Deferred investment loss	-	112,212	84,726	196,938
Deferred experience loss	-	32,008	24,168	56,176
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	250,663	189,264	439,927
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	54,884	64,904	119,788
Other accrued liabilities	-	48,855	779,071	827,926
Due to other funds	-	-	46,271	46,271
Notes payable	50,508	-	-	50,508
Compensated absences	-	9,667	9,085	18,752
Total current liabilities	50,508	113,406	899,331	1,063,245
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
NONCURRENT LIABILITIES				
Net pension liability	-	650,184	490,923	1,141,107
Compensated absences	-	116,367	109,357	225,724
Notes payable	680,437	-	-	680,437
Total noncurrent liabilities	680,437	766,551	600,280	2,047,268
Total liabilities	740,945	879,957	1,499,611	3,120,513
DEFERRED INFLOWS OF RESOURCES				
Deferred pension experience gains	-	14,944	11,284	26,228
Net Position				
Net investment in capital assets	1,764,432	87,689	506,907	2,359,028
Unrestricted	(503,212)	4,224,814	15,625,261	19,346,863
Total net position	$ 1,261,220	$ 4,312,503	$ 16,132,168	$ 21,705,891

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for services	$ 34,516	$ 3,587,187	$ 8,443,042	$ 12,064,745
Miscellaneous	63,701	-	53,207	116,908
Total operating revenues	98,217	3,587,187	8,496,249	12,181,653
Operating Expenses				
Personnel services	-	1,467,235	1,093,830	2,561,065
Materials and supplies	-	41,430	39,668	81,098
Maintenance	97	195,719	33,165	228,981
Contract payments	-	829,166	6,128,443	6,957,609
Utilities	215	2,783	4,838	7,836
Depreciation	168,380	26,666	53,389	248,435
Other	23,658	208,456	33,382	265,496
Total operating expenses	192,350	2,771,455	7,386,715	10,350,520
Operating income (loss)	(94,133)	815,732	1,109,534	1,831,133
Nonoperating Revenues (Expenses)				
Investment income	389	40,195	87,028	127,612
Gain (loss) on disposal of assets	-	16,118	(116,402)	(100,284)
Total non-operating revenues	389	56,313	(29,374)	27,328
Income (loss) before contributions and transfers	(93,744)	872,045	1,080,160	1,858,461
Capital Contributions and Transfers				
Transfers in	11,692	-	132,914	144,606
Transfers out	(5,000)	(316,500)	(340,100)	(661,600)
Change In Net Position	(87,052)	555,545	872,974	1,341,467
Net Position, Beginning of Year	1,348,272	3,756,958	15,259,194	20,364,424
Net Position, End of Year	$ 1,261,220	$ 4,312,503	$ 16,132,168	$ 21,705,891

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING ACTIVITIES				
Cash received from customers	$ 32,603	$ 3,531,167	$ 8,021,090	$ 11,584,860
Other operating revenues	63,701	-	53,207	116,908
Cash payments for employee services	-	(1,371,282)	(1,051,309)	(2,422,591)
Cash payments to suppliers for goods and services	(23,970)	(1,295,014)	(6,243,225)	(7,562,209)
Net cash provided by operating activities	72,334	864,871	779,763	1,716,968
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	132,914	132,914
Transfers out	(5,000)	(316,500)	(340,100)	(661,600)
Net cash used in non-capital financing activities	(5,000)	(316,500)	(207,186)	(528,686)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	-	(207,381)	(207,381)
Proceeds from sale of assets	-	16,118	-	16,118
Principal payments on loans	(49,640)	-	-	(49,640)
Payments from loan to component units	-	-	799,921	799,921
Issuance of note receivable	-	-	(5,000,000)	(5,000,000)
Proceeds from advances	-	-	49,640	49,640
Net cash provided by (used in) capital and related financing activities	(49,640)	16,118	(4,357,820)	(4,391,342)
INVESTING ACTIVITIES				
Sale of investment securities	-	-	352,268	352,268
Investment earnings	389	40,195	90,152	130,736
Net cash provided by investing activities	389	40,195	442,420	483,004
Net Increase (Decrease) in Cash and Cash Equivalents	18,083	604,684	(3,342,823)	(2,720,056)
Cash and Cash Equivalents, Beginning of Year	210,756	3,839,657	8,787,174	12,837,587
Cash and Cash Equivalents, End of Year	$ 228,839	$ 4,444,341	$ 5,444,351	$ 10,117,531
RECONCILITATION TO THE COMBINING STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	$ 218,839	$ 4,441,341	$ 5,444,351	$ 10,104,531
Restricted cash and cash equivalents	10,000	3,000	-	13,000
	$ 228,839	$ 4,444,341	$ 5,444,351	$ 10,117,531
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ (94,133)	$ 815,732	$ 1,109,534	$ 1,831,133
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	168,380	26,666	53,389	248,435
Net pension liability and deferred resources	-	85,727	26,286	112,013
Change in assets and liabilities				
(Increases) decreases in assets:				
Accounts receivable	(1,913)	(56,020)	(421,952)	(479,885)
Prepaid expenses	-	300	278	578
Increases (decreases) in liabilities:				
Accounts payable	-	(5,105)	(13,286)	(18,391)
Accrued liabilities	-	(12,654)	9,279	(3,375)
Due to other funds	-	-	727	727
Liability for accrued vacation	-	10,225	15,508	25,733
Total adjustments	166,467	49,139	(329,771)	(114,165)
Net cash provided by operating activities	$ 72,334	$ 864,871	$ 779,763	$ 1,716,968

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 12,541,427	$ 44,930	$ 12,586,357
Accounts receivable (net of allowance for uncollectibles)	490,551	-	490,551
Prepaid items	4,494	-	4,494
Inventory	-	141,378	141,378
Total current assets	13,036,472	186,308	13,222,780
NONCURRENT ASSETS			
Restricted cash and cash equivalents	86,000	-	86,000
Capital assets:			
Machinery and equipment	-	658,550	658,550
Less accumulated depreciation	-	(267,286)	(267,286)
Net capital assets	86,000	391,264	477,264
Total Assets	13,122,472	577,572	13,700,044
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	18,631	61,484	80,115
Deferred pension investment loss	19,640	64,817	84,457
Deferred pension experience loss	5,602	18,489	24,091
Total deferred outflows of resources	43,873	144,790	188,663
LIABILITIES			
Accounts payable	1,418,652	135,922	1,554,574
Other accrued liabilities	25,938	30,651	56,589
Compensated absences	368	6,977	7,345
Noncurrent liabilities			
Compensated absences	4,425	83,989	88,414
Net pension liability	113,801	375,563	489,364
Total liabilities	1,563,184	633,102	2,196,286
DEFERRED INFLOWS OF RESOURCES			
Deferred pension experience gain	2,616	8,632	11,248
NET POSITION			
Net investment in capital assets	-	391,264	391,264
Unrestricted	11,600,545	(310,636)	11,289,909
Total net position	$ 11,600,545	$ 80,628	$ 11,681,173

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ 18,898,634	$ 989,114	$ 19,887,748
Miscellaneous	853,399	-	853,399
Total operating revenues	19,752,033	989,114	20,741,147
OPERATING EXPENSES			
Personnel services	275,294	848,749	1,124,043
Materials, supplies and services	17,076,148	20,518	17,096,666
Maintenance	-	37,789	37,789
Utilities	-	32,693	32,693
Depreciation	-	37,424	37,424
Other	12,474	13,628	26,102
Total operating expenses	17,363,916	990,801	18,354,717
Operating income (loss)	2,388,117	(1,687)	2,386,430
NONOPERATING REVENUES			
Investment Income	123,382	510	123,892
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers out	(48,709)	(58,000)	(106,709)
Gain on sale of capital assets	-	15,828	15,828
Capital contributions	-	290,359	290,359
	(48,709)	248,187	199,478
Change in Net Position	2,462,790	247,010	2,709,800
Net Position, Beginning of Year	9,137,755	(166,382)	8,971,373
Net Position, End of Year	$ 11,600,545	$ 80,628	$ 11,681,173

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	$ 18,598,887	$ 989,114	$ 19,588,001
Other operating revenues	853,399	-	853,399
Cash payments for employee services	(234,152)	(817,220)	(1,051,372)
Cash payments for other operating expenses	(16,592,545)	(72,864)	(16,665,409)
Net cash provided by operating activities	2,625,589	99,030	2,724,619
NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(48,709)	(68,000)	(116,709)
Net cash used in non-capital financing activities	(48,709)	(68,000)	(116,709)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	-	15,828	15,828
Acquisition and construction of capital assets	-	(7,851)	(7,851)
Net cash provided by capital financing activities	-	7,977	7,977
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	123,382	510	123,892
Net cash provided by investing activities	123,382	510	123,892
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,700,262	39,517	2,739,779
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,927,165	5,413	9,932,578
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,627,427	$ 44,930	$ 12,672,357
RECONCILITATION TO THE COMBINING STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents	$ 12,541,427	$ 44,930	$ 12,586,357
Restricted cash and cash equivalents	86,000	-	86,000
	$ 12,627,427	$ 44,930	$ 12,672,357
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 2,388,117	$ (1,687)	$ 2,386,430
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	37,424	37,424
Net pension liability and deferred resources	43,615	21,123	64,738
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(299,747)	-	(299,747)
Prepaid expenses	17,773	70	17,843
Inventory	-	(8,055)	(8,055)
Increase (decrease) in liabilities:			
Accounts payable	478,304	39,749	518,053
Compensated absences	(2,473)	10,406	7,933
Total adjustments	237,472	100,717	338,189
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,625,589	$ 99,030	$ 2,724,619

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FIDUCIARY FUNDS

CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

BB Owen Park **ASSETS**	**Balance September 30, 2016**	**ADDITIONS**	**DEDUCTIONS**	**Balance September 30, 2017**
Cash and cash equivalents	$ 8,015,827	$ 75,516	$ (697,176)	$ 7,394,167
Total assets	$ 8,015,827	$ 75,516	$ (697,176)	$ 7,394,167
LIABILITIES				
Developer escrows	$ 8,015,827	$ 75,516	$ (697,176)	$ 7,394,167
Total liabilities	$ 8,015,827	$ 75,516	$ (697,176)	$ 7,394,167

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

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

CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	$ 36,103,888
Restricted cash and cash equivalents	1,682,428
Accounts receivable	2,231,360
Prepaid items	26,668
Total assets	40,044,344
LIABILITIES	
Accounts payable	31,677
Other accrued liabilities	31,978
Total liabilities	63,655
FUND BALANCES	
Nonspendable	26,668
Restricted	
Debt service	1,682,428
Debt service reserve balance	-
Unassigned	38,271,593
Total fund balance	39,980,689
Total liabilities and fund balance	$ 40,044,344

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017

Total fund balance – MEDC balance sheet	$ 39,980,689
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	14,801,766
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(69,979)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Employer contributions (GASB 68)	71,195
Investment return difference (GASB 68)	75,054
Experience difference, net (GASB 68)	11,413
Deferred charge on refunding	103,547
Net pension liabilities are not reported in the funds.	(434,881)
Bonds payable and notes payable are not reported in the funds.	(12,258,919)
Accrued interest is not reported in the funds.	(27,727)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 42,252,158

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	$ 12,590,081
Investment income	324,925
Total revenues	12,915,006
EXPENDITURES	
Economic development	2,561,186
Principal payments	1,984,921
Interest and fiscal charges	393,749
Capital outlay	1,100,000
Total expenditures	6,039,856
Excess (deficiency) of revenues over expenditures	6,875,150
OTHER FINANCING SOURCES (Uses)	
Proceeds from issuance of long-term debt	7,020,000
Payment to refunded bond escrow agent	(7,038,162)
Proceeds from sale of property	4,300
Total other financing sources	(13,862)
Excess (deficiency) of revenues and other sources over expenditures	6,861,288
Fund balance, beginning of year	33,119,401
Fund balance, end of year	$ 39,980,689

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, 2017

Net change in fund balances – governmental funds	$ 6,861,288
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(13,965)
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.	1,100,000
Governmental funds do not recognize contributions of capital assets. However, in the statement of activities the net book value of these contributions are recognized as expense.	(1,317,859)
Bond principal and note payable payments are not reported in the Statement of Activities.	1,984,921
The issuance and refunding of long-term debt, are shown as "Other Sources" in the governmental funds, but are shown on the statement of net position as a changes in debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:	
Issuance of long term-debt, net of refunding	18,162
Amortization of refunding loss	(24,615)
Interest is accrued on outstanding debt in the government-wide financial statements, but reported when due in the funds.	16,656
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(8,970)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental fund.	(3,431)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 8,612,187

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	$ 38,745,841
Investments	2,686,905
Accounts receivable	2,231,360
Accrued interest receivable	1,810
Prepaid items	5,527
Total assets	43,671,443
LIABILITIES	
Accounts payable	4,840
Other accrued liabilities	6,972
Total liabilities	11,812
FUND BALANCE	
Nonspendable	
Prepaid items	5,527
Unrestricted	43,654,104
Total fund balance	43,659,631
Total liabilities and fund balance	$ 43,671,443

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2017

Total fund balance – MCDC balance sheet	$ 43,659,631
Amounts reported for governmental activities in the statement of net position are different because:	
Bonds payable are not reported in the funds.	(22,355,000)
Accrued interest is not reported in the funds.	(93,234)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(37,598)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Employer contributions (GASB 68)	15,671
Investment return difference (GASB 68)	16,520
Experience difference, net (GASB 68)	2,512
Net pension liabilities are not reported in the funds.	(95,720)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	6,965,901
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 28,078,683

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	$ 12,590,081
Miscellaneous income	53,282
Investment income	354,891
Total revenues	12,998,254
EXPENDITURES	
Community development	3,094,098
Debt Service:	
Principal retirement	960,000
Interest and fiscal charges	757,316
Capital outlay	5,513,061
Total expenditures	10,324,475
Excess of revenues over expenditures	2,673,779
Net change in fund balance	2,673,779
Fund balance, beginning of year	40,985,852
Fund balance, end of year	$ 43,659,631

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, 2017

Net change in Fund Balances – total governmental funds	$ 2,673,779
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.	5,513,061
Current year capital contributions are not expenditures in the fund financial statements, but are decreases to capital assets in the government-wide financial statements.	(32,934,130)
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	960,000
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	1,380
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(4,315)
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(141,883)
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	12,619
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (23,919,489)

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2017

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	$ 69,467
Accounts receivable	14
Prepaid items	27,988
Total assets	97,469
LIABILITIES	
Accounts payable	1,054
Other accrued liabilities	12,582
Total liabilities	13,636
FUND BALANCE	
Nonspendable	
Prepaid items	27,988
Unrestricted	55,845
Total fund balance	$ 83,833

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY CONVENTION AND VISITORS BUREAU
SEPTEMBER 30, 2017

Total fund balance – MCVB balance sheet	$	83,833
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:		
Employer contributions (GASB 68)		26,898
Investment return difference (GASB 68)		28,356
Experience difference, net (GASB 68)		4,313
Net pension liabilities are not reported in the funds.		(164,303)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.		(60,135)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(81,038)

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	$ 610,000
Investment income	120
Miscellaneous	2,768
Total revenues	612,888
EXPENDITURES	
Community development	615,578
Total expenditures	615,578
Net change in fund balance	(2,690)
Fund balance, beginning of year	86,523
Fund balance, end of year	$ 83,833

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, 2017

Net change in Fund Balances – governmental funds	$	(2,690)
Amounts reported for governmental activities in the statement of activities are different because:		
Pension expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.		(25,840)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.		(6,635)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(35,165)

CITY OF MCKINNEY, TEXAS
BALANCE SHEET – MCKINNEY MAIN STREET
SEPTEMBER 30, 2017

	McKinney Main Street
ASSETS	
Cash and cash equivalents	$ 284,903
Accounts receivable	16,159
Prepaid items	800
Total assets	301,862
LIABILITIES	
Accounts payable	36,955
Unearned revenue	2,250
Total liabilities	39,205
FUND BALANCE	
Nonspendable	
Prepaid items	800
Unrestricted	261,857
Total fund balance	262,657
Total liabilities and fund balance	$ 301,862

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – MCKINNEY MAIN STREET
SEPTEMBER 30, 2017

Total fund balance – MMS balance sheet	$	262,657
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		37,309
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	299,966

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MCKINNEY MAIN STREET
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	McKinney Main Street
REVENUES	
Contributions	$ 29,751
Events	1,251,540
Total revenues	1,281,291
EXPENDITURES	
Community development	1,192,671
Capital outlay	41,581
Total expenditures	1,234,252
Net change in fund balance	47,039
Fund balance, beginning of year	215,618
Fund balance, end of year	$ 262,657

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 MAIN STREET
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances – governmental funds	$	47,039
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government-wide financial statements.		41,581
Governmental funds do not report depreciation since it does not require the use of current financial resources.		(4,272)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	84,348

McKINNEY™

TEXAS

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STATISTICAL SECTION

McKINNEY™

TEXAS

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

Contents **Table #s**

Financial Trends **1-4**

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **5-8**

These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.

Debt Capacity **9-13**

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.

Economic and Demographic Information **14-15**

These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **16-18**

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.

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			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	$ 239,601,800	$ 285,415,013	$ 290,201,450	$ 284,785,050
Restricted for:				
Use of impact fees	5,876,387	5,849,676	2,027,269	4,061,242
Highways and streets	40,323,951	42,770,468	33,628,327	31,376,277
Debt service	1,504,492	1,812,651	588,843	219,454
Other capital project	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Court	-	-	-	-
Library	-	-	-	-
Cultural and recreation	-	-	-	-
Grants	-	62,137	22,136	65,005
Unrestricted	59,424,524	59,789,506	61,481,942	64,368,362
Total governmental activities net position	$ 346,731,154	$ 395,699,451	$ 387,949,967	$ 384,875,390
Business-type activities				
Net investment in capital assets	$ 180,859,674	$ 171,936,373	$ 206,148,786	$ 208,847,556
Restricted for:				
Use of impact fees	1,760,033	2,083,128	2,537,464	2,704,125
Debt service	3,707,091	4,151,257	4,625,915	4,980,679
Unrestricted	55,657,877	89,351,500	63,541,978	74,128,202
Total business-type activities net position	$ 241,984,675	$ 267,522,258	$ 276,854,143	$ 290,660,562
Primary government				
Net investment in capital assets	$ 420,461,474	$ 457,351,386	$ 496,350,236	$ 493,632,606
Restricted for:				
Use of impact fees	7,636,420	7,932,804	4,564,733	6,765,367
Highways and streets	40,323,951	42,770,468	33,628,327	31,376,277
Debt service	5,211,583	5,963,908	5,214,758	5,200,133
Other capital project	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Court	-	-	-	-
Library	-	-	-	-
Cultural and recreation	-	-	-	-
Grants	-	62,137	22,136	65,005
Unrestricted	115,082,401	149,141,006	125,023,920	138,496,564
Total primary governmental net position	$ 588,715,829	$ 663,221,709	$ 664,804,110	$ 675,535,952

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects 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 net position classifications.

TABLE 1

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 274,393,395	$ 279,952,868	$ 252,289,367	$ 268,918,693	$ 320,331,134	$ 403,719,522
4,549,816	6,700,810	5,692,253	-	-	-
26,796,515	26,406,329	24,938,952	28,691,743	32,306,475	32,618,355
888,855	1,285,455	1,400,079	4,107,035	3,894,517	4,605,297
-	46,153,392	50,015,128	65,017,451	44,403,282	53,624,967
573,763	803,777	896,023	601,868	614,384	576,119
309,242	513,456	779,686	1,312,903	4,110,258	4,553,868
-	-	-	-	350,172	383,860
168,894	242,609	248,630	224,501	203,093	131,231
6,371	16,109	15,412	13,751	14,067	10,423
452,431	425,968	434,681	269,985	257,398	180,313
78,769,485	41,729,688	56,117,047	34,468,809	44,277,694	69,040,330
$ 386,908,767	$ 404,230,461	$ 392,827,258	$ 403,626,739	$ 450,762,474	$ 569,444,285
$ 218,424,139	$ 233,112,767	$ 330,408,725	$ 340,775,669	$ 370,316,179	$ 391,997,298
5,025,467	8,806,302	7,564,939	8,995,690	8,407,115	9,415,280
5,324,601	5,528,516	5,601,263	4,248,344	4,338,428	6,420,315
78,188,714	77,348,628	89,167,306	88,825,761	89,348,086	100,155,117
$ 306,962,921	$ 324,796,213	$ 432,742,233	$ 442,845,464	$ 472,409,808	$ 507,988,010
$ 492,817,534	$ 513,065,635	$ 582,698,092	$ 609,694,362	$ 690,647,313	$ 795,716,820
9,575,283	15,507,112	13,257,192	8,995,690	8,407,115	9,415,280
26,796,515	26,406,329	24,938,952	28,691,743	32,306,475	32,618,355
6,213,456	6,813,971	7,001,342	8,355,379	8,232,945	11,025,612
-	46,153,392	50,015,128	65,017,451	44,403,282	53,624,967
573,763	803,777	896,023	601,868	614,384	576,119
309,242	513,456	779,686	1,312,903	4,110,258	4,553,868
-	-	-	-	350,172	383,860
168,894	242,609	248,630	224,501	203,093	131,231
6,371	16,109	15,412	13,751	14,067	10,423
452,431	425,968	434,681	269,985	257,398	180,313
156,958,199	119,078,316	145,284,353	123,294,570	133,625,780	169,195,447
$ 693,871,688	$ 729,026,674	$ 825,569,491	$ 846,472,203	$ 923,172,282	$ 1,077,432,295

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	$ 24,836,791	$ 21,117,506	$ 29,245,688	$ 23,110,420
Police	19,724,792	20,881,195	21,276,723	20,670,697
Fire	17,477,479	19,371,301	19,828,670	19,772,826
Libraries	2,753,427	2,894,683	3,179,616	3,039,839
Development	9,786,774	9,507,244	9,491,109	8,777,957
Parks and recreation	8,645,291	9,383,872	9,215,196	9,864,370
Public works	38,499,039	30,724,972	33,614,032	32,416,388
Interest on long-term debt	7,980,156	9,045,551	10,241,441	10,161,568
Airport	8,541,987	1,850,442	2,655,115	565,000
Total governmental activities expenses	138,245,736	124,776,766	138,747,590	128,379,065
Business-type activities:				
Water/Wastewater	37,755,782	41,467,962	44,083,602	46,104,008
Solid Waste	5,492,531	5,724,412	6,213,755	6,066,387
Golf Course	971,187	187,769	258,801	224,175
Surface Water Drainage	63,944	877,048	1,583,183	1,633,798
Airport	-	-	-	-
Total business-type activities expenses	44,283,444	48,257,191	52,139,341	54,028,368
Total primary government expenses	$ 182,529,180	$ 173,033,957	$ 190,886,931	$ 182,407,433
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	$ 2,631,063	$ 2,692,338	$ 2,976,341	$ 2,999,584
Police	3,771,316	2,689,592	2,529,019	2,676,107
Fire	1,475,731	1,607,943	794,661	1,919,405
Libraries	55,649	71,437	86,927	95,033
Development	4,283,881	3,949,296	4,058,203	3,958,584
Parks and recreation	1,020,734	1,123,973	1,037,454	1,071,536
Public Works	-	-	-	-
Interest on long-term debt	-	-	528,000	528,000
Airport	-	-	-	-
Operating grants and contributions	1,731,674	1,834,766	2,471,193	2,772,410
Capital grants and contributions	29,065,497	63,619,883	20,349,634	12,986,318
Total governmental activities program revenues	44,035,545	77,589,228	34,831,432	29,006,977
Business-type activities:				
Charges for Services:				
Water/Wastewater	38,004,807	45,499,621	48,117,477	57,185,108
Solid Waste	6,719,134	6,372,156	6,000,135	6,836,486
Golf Course	918,519	79,451	82,026	110,257
Surface Water Drainage	1,586,333	1,684,830	1,751,066	1,795,342
Airport	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	10,891,962	21,663,743	7,106,651	3,483,388
Total business-type activities program revenues	58,120,755	75,299,801	63,057,355	69,410,581
Total primary government program revenues	$ 102,156,300	$ 152,889,029	$ 97,888,787	$ 98,417,558

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ 21,828,013	$ 20,555,978	$ 33,368,297	$ 27,058,274	$ 29,952,269	$ 34,346,612
21,843,375	23,340,362	26,024,709	25,624,335	29,047,393	31,471,552
19,636,533	21,432,874	22,806,691	23,727,013	25,631,075	27,403,683
3,258,633	3,276,383	3,320,179	3,693,705	3,774,409	3,819,963
8,522,548	9,107,096	10,057,171	13,418,166	10,222,464	10,745,301
9,695,909	10,370,483	10,415,311	9,377,277	12,526,997	16,517,121
33,199,659	35,111,875	37,604,682	39,812,246	40,143,368	44,061,044
9,514,103	8,912,771	8,482,455	8,019,483	9,020,305	8,457,638
565,000	613,513	-	-	-	-
128,063,773	132,721,335	152,079,495	150,730,499	160,318,280	176,822,914
47,777,509	52,003,461	55,007,446	60,487,007	69,073,537	74,364,452
6,572,110	6,486,035	6,280,217	6,860,903	6,861,627	7,386,715
220,140	351,556	194,403	198,663	182,383	192,350
1,551,577	1,660,597	1,934,435	1,911,038	2,098,662	2,771,455
-	-	8,601,099	8,859,527	9,340,030	9,797,154
56,121,336	60,501,649	72,017,600	78,317,138	87,556,239	94,512,126
$ 184,185,109	$ 193,222,984	$ 224,097,095	$ 229,047,637	$ 247,874,519	$ 271,335,040
$ 2,896,926	$ 1,492,078	$ 1,467,171	$ 3,842,116	$ 4,327,862	$ 1,734,117
3,449,850	2,797,246	2,552,326	1,757,760	2,033,877	2,894,518
1,620,136	2,187,476	2,394,449	2,631,057	3,346,928	3,628,262
106,890	109,709	112,271	108,738	92,746	81,835
6,299,051	7,296,819	7,264,193	9,825,165	10,637,402	13,523,148
1,012,260	1,054,194	965,429	1,031,799	1,048,658	3,893,394
-	-	-	-	-	218,620
528,000	528,000	528,000	-	-	-
4,767	8,325	2,199	-	-	-
2,343,700	2,459,385	2,446,548	2,051,029	2,011,757	3,302,214
20,325,797	27,495,901	28,827,649	38,427,242	48,227,810	104,025,218
38,587,377	45,429,133	46,560,235	59,674,906	71,727,040	133,301,326
54,717,547	56,832,659	54,882,881	58,854,349	70,527,096	78,432,191
6,763,746	6,874,406	7,372,250	7,598,827	8,121,069	8,443,042
115,177	116,227	105,854	88,890	34,123	34,516
1,880,951	1,898,269	1,998,850	2,701,864	3,517,545	3,587,187
-	-	4,587,659	5,801,175	6,411,460	7,149,114
-	-	94,582	67,332	54,753	49,752
10,797,849	14,745,211	96,783,997	18,125,746	30,335,555	30,423,073
74,275,270	80,466,772	165,826,073	93,238,183	119,001,601	128,118,875
$ 112,862,647	$ 125,895,905	$ 212,386,308	$ 152,913,089	$ 190,728,641	$ 261,420,201

(continued)

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

	Fiscal Year			
	2008	2009	2010	2011
NET (EXPENSES) REVENUE				
Governmental activities	$ (94,210,191)	$ (47,187,538)	$ (103,916,158)	$ (99,372,088)
Business-type activities	13,837,311	27,042,610	10,918,014	15,382,213
Total primary government net expenses	$ (80,372,880)	$ (20,144,928)	$ (92,998,144)	$ (83,989,875)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	$ 57,707,103	$ 62,815,581	$ 63,172,075	$ 62,862,038
Sales and use taxes	17,683,376	17,124,800	16,868,201	17,265,587
Franchise taxes	9,633,525	9,724,093	10,794,251	12,050,388
Other taxes and fees	-	-	-	-
Investment income	4,950,865	2,764,578	2,378,612	1,664,055
Miscellaneous	273,109	892,940	175,614	257,395
Transfers	2,287,922	2,833,843	2,643,302	2,643,302
Prior period adjustment	-	-	-	-
Total governmental activities	92,535,900	96,155,835	96,032,055	96,742,765
Business-type activities:				
Investment income	2,315,647	1,318,112	1,031,169	1,020,661
Gain on sale of capital assets	50,510	10,704	(37,436)	46,847
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(2,287,922)	(2,833,843)	(2,643,302)	(2,643,302)
Prior period adjustment	-	-	-	-
Total business-type activities	78,235	(1,505,027)	(1,649,569)	(1,575,794)
Total primary government	$ 92,614,135	$ 94,650,808	$ 94,382,486	$ 95,166,971
CHANGE IN NET POSITION				
Governmental activities	$ (1,674,291)	$ 48,968,297	$ (7,884,103)	$ (2,629,323)
Business-type activities	13,915,546	25,537,583	9,268,445	13,806,419
Total primary government	$ 12,241,255	$ 74,505,880	$ 1,384,342	$ 11,177,096

Source: Comprehensive Annual Financial Report

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
$ (89,476,396)	$ (87,292,202)	$ (105,519,260)	$ (91,055,593)	$ (88,591,240)	$ (43,521,588)
18,153,934	19,965,123	93,808,473	14,921,045	31,445,362	33,606,749
$ (71,322,462)	$ (67,327,079)	$ (11,710,787)	$ (76,134,548)	$ (57,145,878)	$ (9,914,839)
$ 64,193,735	$ 65,707,908	$ 70,586,659	$ 79,819,213	$ 90,581,621	$ 101,593,480
18,392,901	20,364,397	21,298,884	23,041,949	25,360,264	27,117,534
12,051,980	12,759,298	13,630,462	13,858,355	14,162,263	14,790,276
-	-	-	434,494	417,981	2,651,192
846,135	334,465	298,151	370,660	1,153,094	2,314,659
618,827	2,593,617	4,282,531	2,833,951	715,114	11,936,004
2,798,302	2,854,211	(15,104,793)	2,965,135	3,336,638	1,596,987
-	-	-	(21,468,683)	-	-
98,901,880	104,613,896	94,991,894	101,855,074	135,726,975	162,000,132
924,457	662,230	565,121	663,128	1,216,134	1,828,821
22,270	60,150	(851,572)	(92,106)	-	-
-	-	-	-	-	-
-	-	-	-	239,486	1,739,619
(2,798,302)	(2,854,211)	15,104,793	(2,965,135)	(3,336,638)	(1,596,987)
-	-	-	(2,552,917)	-	-
(1,851,575)	(2,131,831)	14,818,342	(4,947,030)	(1,881,018)	1,971,453
$ 97,050,305	$ 102,482,065	$ 109,810,236	$ 96,908,044	$ 133,845,957	$ 163,971,585
$ 9,425,484	$ 17,321,694	$ (10,527,366)	$ 10,799,481	$ 47,135,735	$ 118,478,544
16,302,359	17,833,292	108,626,815	9,974,015	29,564,344	35,578,202
$ 25,727,843	$ 35,154,986	$ 98,099,449	$ 20,773,496	$ 76,700,079	$ 154,056,746

(concluded)

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

	Fiscal Year			
	2008	2009	2010	2011
GENERAL FUND				
Nonspendable:				
Inventory	$ -	$ -	$ -	$ -
Prepaid items	-	-	-	-
Land held for sale	-	-	-	-
Note receivable from component unit	-	-	-	-
Restricted:				
Law enforcement	-	-	-	-
Court	-	-	-	-
Assigned:				
Capital equip replacement	-	-	-	-
Disaster relief	-	-	-	-
OPEB	-	-	-	-
Public & performing arts	-	-	-	-
Unassigned	-	-	-	-
Reserved for:				
Inventory and prepaid items	885,780	1,054,833	941,699	-
Advance to other funds	589,000	-	-	-
Note receivable from component unit	775,000	10,355,000	4,102,500	2,917,500
Designated:				
Insurance risk	2,291,879	1,600,559	1,600,559	1,600,559
Unreserved	39,998,634	28,838,279	33,023,643	37,448,127
Total general fund	$ 44,540,293	$ 41,848,671	$ 39,668,401	$ 41,966,186
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable:				
Prepaid items	$ -	$ -	$ -	$ 423,897
Restricted:				
Debt service	-	-	-	1,261,454
Street construction	-	-	-	31,356,277
Capital projects	-	-	-	36,523,123
Law enforcement	-	-	-	164,887
Fire	-	-	-	26,858
PEG	-	-	-	-
Library	-	-	-	384,855
Community Housing	-	-	-	65,005
Veterans Memorial Park	-	-	-	-
Hotel/Motel	-	-	-	-
Transit	-	-	-	-
Grants	-	-	-	150,292
Assigned:				
Capital equip replacement	-	-	-	-
Reserved for:				
Prepaid items	13,586	736,658	570,994	-
Debt service	2,494,512	2,734,212	1,891,142	-
Street construction	40,323,951	42,247,778	33,628,327	-
Capital projects funds	29,569,488	34,402,903	45,431,706	-
Unreserved, reported in:				
Special revenue funds	2,782,428	2,208,805	1,975,456	-
Total all other governmental funds	$ 75,183,965	$ 82,330,356	$ 83,497,625	$ 70,356,648

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 193,885	$ 210,392	$ 241,881	$ 331,605	$ 46,072	$ 53,892
304,556	295,637	532,207	852,860	1,253,144	3,279,895
315,194	-	-	-	-	-
1,647,500	287,500	-	-	-	-
-	-	-	-	-	10,972
-	-	-	-	350,172	383,860
-	-	-	-	-	10,155,890
-	-	-	-	-	516,552
1,692,681	1,855,500	2,026,617	2,485,326	2,811,040	3,317,131
-	-	-	-	-	408,640
46,207,763	48,144,225	39,038,915	45,819,513	61,145,601	62,349,115
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 50,361,579	$ 50,793,254	$ 41,839,620	$ 49,489,304	$ 65,606,029	$ 80,475,947
$ 18,976	$ 16,174	$ 19,817	$ 48,664	$ 92,305	$ 91,159
1,719,641	2,240,054	2,917,011	2,917,011	3,894,517	4,605,297
31,346,331	33,107,139	30,631,205	64,887,370	65,976,278	66,288,158
36,259,889	46,153,392	50,015,128	65,017,451	89,308,763	85,952,066
549,780	768,113	855,456	558,905	564,486	522,618
23,983	35,664	40,567	42,963	49,898	42,529
-	-	-	1,493,395	1,825,885	1,334,050
168,894	242,609	248,630	224,501	203,093	131,231
56,485	90,025	85,617	73,787	73,536	227,770
6,371	16,109	15,412	13,751	14,067	10,423
309,242	513,456	779,686	1,312,903	2,210,837	2,919,895
-	-	-	-	-	72,153
395,946	335,943	349,064	269,985	257,398	180,313
-	-	-	-	-	6,642,090
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	918,558	-	-
$ 70,855,538	$ 83,518,678	$ 85,957,593	$ 137,779,244	$ 164,471,063	$ 169,019,752

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

	Fiscal Year			
	2008	2009	2010	2011
REVENUES				
Property taxes	$ 57,723,642	$ 62,832,495	$ 62,960,439	$ 62,717,460
Sales and use taxes	17,683,376	17,124,800	16,926,949	17,265,587
Franchise fees	9,591,738	9,759,548	10,731,125	11,941,486
Other taxes and fees	-	-	-	-
Licenses and permits	5,011,193	4,726,614	4,809,193	4,692,292
Intergovernmental	5,700,988	15,403,491	4,400,346	5,861,390
Charges for services	4,353,096	4,867,661	5,846,806	6,040,354
Fines and forfeitures	2,220,418	2,276,354	1,990,092	2,183,023
Investment income	5,343,879	2,741,843	2,387,670	1,284,718
Contributions	8,102,152	14,668,141	6,000,759	5,224,780
Miscellaneous	436,393	856,806	255,221	265,146
Total revenues	116,166,875	135,257,753	116,308,600	117,476,236
EXPENDITURES				
General government	16,966,335	19,366,493	22,098,360	20,785,693
Police	18,860,105	19,923,024	20,145,964	19,655,184
Fire	16,227,513	17,894,488	17,959,131	17,930,235
Libraries	2,489,144	2,638,350	2,909,708	2,781,727
Development	9,457,015	9,185,580	9,159,668	8,512,495
Parks and recreation	6,733,160	7,399,164	7,145,909	7,275,824
Public works	21,786,333	12,275,920	13,286,420	10,610,792
Airport	8,541,987	1,850,442	2,655,115	565,000
Capital outlay	50,500,331	52,493,363	29,483,890	22,264,775
Debt service:				
Principal retirement	8,370,008	9,905,035	10,848,562	9,980,000
Interest and fiscal charges	7,677,731	9,008,269	9,679,110	10,254,116
Total expenditures	167,609,662	161,940,128	145,371,837	130,615,841
Excess (deficiency) of revenues over (under) expenditures	(51,442,787)	(26,682,375)	(29,063,237)	(13,139,605)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	37,205,000	28,210,000	25,295,000	-
Deposit to escrow account	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from sale of property	293,648	93,301	111,934	105,911
Transfers in	4,662,194	4,813,797	3,548,163	3,385,024
Transfers out	(2,374,272)	(1,979,954)	(904,861)	(741,722)
Total other financing sources (uses)	39,786,570	31,137,144	28,050,236	2,749,213
NET CHANGE IN FUND BALANCES	$ (11,656,217)	$ 4,454,769	$ (1,013,001)	$ (10,390,392)
Debt service as a percentage of noncapital expenditures	**13.7%**	**17.3%**	**17.7%**	**18.7%**

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
$ 64,194,518	$ 66,252,931	$ 70,362,574	$ 79,955,673	$ 90,670,647	$ 100,499,796
18,342,838	20,335,968	21,278,009	23,041,949	25,360,264	27,117,534
12,113,230	12,725,594	13,696,854	13,767,129	14,162,263	14,790,276
-	-	-	434,494	417,981	353,059
7,204,700	8,154,941	8,168,583	10,537,838	11,484,965	14,883,837
5,656,795	5,832,483	5,405,262	5,434,807	4,249,380	8,742,283
5,892,485	4,957,547	5,074,643	6,721,752	7,941,488	9,791,668
2,507,707	2,499,512	2,191,902	2,029,116	2,061,020	2,134,066
846,135	330,063	291,194	370,660	1,153,094	2,314,659
7,438,881	10,030,426	12,053,759	14,229,992	13,117,358	14,274,613
661,477	282,923	367,552	533,192	715,114	11,936,005
124,858,766	131,402,388	138,890,332	157,056,602	171,333,574	206,837,796
19,020,719	19,336,330	30,876,833	22,228,405	23,766,504	28,600,730
20,285,700	22,036,551	24,603,118	25,545,773	27,074,194	29,519,229
17,302,735	19,409,153	21,004,629	22,848,846	23,588,822	24,934,620
2,775,484	2,826,451	2,868,747	3,279,002	3,379,840	3,382,296
8,119,293	8,750,307	9,617,376	10,291,439	10,074,158	10,397,360
6,954,994	7,504,161	7,804,340	8,072,018	8,977,206	12,822,926
10,882,395	11,097,574	12,150,458	13,857,657	13,007,662	14,329,110
565,000	613,513	-	-	-	-
13,503,040	16,299,213	34,224,581	24,259,961	20,225,428	38,130,013
10,390,000	10,755,000	10,810,000	13,485,000	16,452,929	18,309,211
9,466,819	8,823,139	9,304,662	9,434,720	10,836,635	11,210,643
119,266,179	127,451,392	163,264,744	153,302,821	157,383,378	191,636,138
5,592,587	3,950,996	(24,374,412)	3,753,781	13,950,196	15,201,658
14,670,000	24,925,000	56,370,000	45,715,000	57,530,000	21,965,000
(16,685,444)	(21,716,799)	(27,119,524)	-	(44,520,122)	(24,461,495)
2,127,248	3,019,430	3,687,285	7,009,684	8,868,878	2,695,707
205,236	61,977	25,972	28,488	3,436,712	1,648,564
4,505,981	9,866,340	(9,732,556)	5,027,413	8,778,072	14,421,247
(1,707,679)	(7,012,129)	(5,372,237)	(2,062,278)	(5,235,192)	(12,255,341)
3,115,342	9,143,819	17,858,940	55,718,307	28,858,348	4,013,682
$ 8,707,929	$ 13,094,815	$ (6,515,472)	$ 59,472,088	$ 42,808,544	$ 19,215,340
18.8%	**17.6%**	**15.6%**	**17.8%**	**19.9%**	**19.2%**

CITY OF MCKINNEY, TEXAS
ASSESSED VALUE OF TAXABLE PROPERTY
(PER $100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[a]	Total Direct Tax Rate
2008	$ 6,791,710,804	$ 2,484,651,531	$ 1,625,116,907	$ 1,252,624,142	$ 9,648,855,100	0.58550
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	0.58550
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,176,779,441	10,714,704,764	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,174,802,675	10,679,588,485	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,138,232,846	10,846,882,649	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,145,519,714	11,028,180,455	0.58550
2014	8,912,765,220	2,923,157,524	1,197,788,548	2,104,215,838	10,929,495,454	0.58550
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	13,473,925,466	0.58300
2016	12,029,014,758	3,398,536,705	1,406,368,521	1,506,353,094	15,327,566,890	0.58300
2017	13,788,110,133	3,684,032,886	1,544,443,201	1,714,554,267	17,302,031,953	0.57300

Source: City of McKinney Budget Document
Collin Central Appraisal District

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

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

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

TABLE 6

	City Direct Rates			Overlapping Rates							
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	McKinney ISD	Allen ISD	Frisco ISD	Melissa ISD	Prosper ISD	Lovejoy ISD	Collin County	Collin College District
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	1.42000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.42179	0.16371	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2014	0.41220	0.17330	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2015	0.41544	0.16756	0.58300	1.67000	1.64000	1.46000	1.54000	1.67000	1.56000	0.23500	0.08196
2016	0.40997	0.17303	0.58300	1.67000	1.61000	1.46000	1.67000	1.67000	1.56000	0.22500	0.08196
2017	0.40177	0.17123	0.57300	1.62000	1.59000	1.46000	1.67000	1.67000	1.67000	0.20840	0.08122

Source: Collin Central Appraisal District
ISD: Independent School District

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

TABLE 7

	2017			2008		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[a]**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value[b]**
Encore Wire Limited	$ 151,808,618	1	0.88%	$ 65,849,193	1	0.68%
Raytheon TI Systems	83,993,061	2	0.49%	60,236,214	2	0.62%
Oncor Electric Delivery Co.	56,865,997	3	0.33%	-		-
West Eldorado TX Partners LLC (Saxon Woods)	47,706,700	4	0.28%	41,626,093	5	0.43%
Areg Grassmere TX Partners LLC (Retreat at Stoneb	46,459,333	5	0.27%	-		-
Columbia Medical Center of McKinney	46,120,076	6	0.27%	39,619,907	7	0.41%
Craig Ranch PT MFA I LP (Parkside At Craig Ranch)	45,804,526	7	0.26%	-		-
Fairways Wilson Creek Apartments LLC	45,387,640	8	0.26%	-		-
Stonebridge Ranch Apartment Community LLC	44,053,440	9	0.25%	-		-
Bre Silver MF McKinney TX LP	41,828,807	10	0.24%	-		-
TXU Electric Delivery Co.	-		-	53,803,940.00	3	0.56%
Horton D R - Texas, LTD	-		-	42,789,221.00	4	0.44%
Covington Cameron Acquisition LLC	-		-	40,000,000.00	6	0.41%
VCIM Partners LP	-		-	37,337,438.00	8	0.39%
McKinney Towne Crossing LP	-		-	33,624,518.00	9	0.35%
Texas Instruments Inc	-			32,535,588.00	10	0.34%
Total	$ 610,028,198		3.53%	$ 447,422,112		4.64%

Source: Collin County Tax Assessor and Collector

Notes: [a] Taxpayers are assessed on January 1, 2016 (2016 tax year) for the 2017 fiscal year.
[b] Taxpayers are assessed on January 1, 2007 (2007 tax year) for the 2008 fiscal year.

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

TABLE 8

Fiscal Year	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
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	63,006,786	61,922,528	98.28%	1,024,536	62,947,064	99.91%
2011	63,053,432	61,902,188	98.17%	1,081,870	62,984,058	99.89%
2012	64,138,405	63,014,520	98.25%	1,031,837	64,046,357	99.86%
2013	65,276,463	64,302,483	98.51%	851,761	65,154,244	99.81%
2014	70,345,201	69,377,804	98.62%	828,900	70,206,704	99.80%
2015	78,727,444	78,046,228	99.13%	524,661	78,570,889	99.80%
2016	89,141,519	88,635,948	99.43%	297,758	88,933,706	99.77%
2017	98,988,320	98,638,066	99.65%	-	98,638,066	99.65%

Source: Collin County Tax Assessor and Collector

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

TABLE 9

	Governmental Activities				Business-Type Activities				
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income[a]	Per Capita[a]
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
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,786,567	292,585,560	6.00%	1,969
2015	192,241,210	66,151,279	5,031,638	1,732,249	66,009,020	-	331,165,396	6.50%	2,135
2016	210,133,796	54,330,000	3,792,501	1,379,321	79,937,575	-	349,573,193	6.36%	2,159
2017	202,283,166	43,080,000	2,540,676	1,095,110	114,746,638	-	363,745,590	6.16%	2,161

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

[a] 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

	General Bonded Debt Outstanding					
Fiscal Year	**General Obligation Bonds**	**Certificates of Obligation**	**Tax Notes**	**Total**	**Percentage of Actual Taxable Value of Property[a]**	**Per Capita[b]**
2008	$ 145,515,000	$ -	$ -	$ 145,515,000	1.51%	1,203
2009	146,080,000	-	-	146,080,000	1.38%	1,197
2010	153,030,000	-	-	153,030,000	1.42%	1,167
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
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.99%	1,468
2015	192,241,210	66,151,279	5,031,638	263,424,127	1.95%	1,698
2016	210,133,796	54,330,000	3,792,501	268,256,297	1.75%	1,657
2017	202,283,166	43,080,000	2,540,676	247,903,842	1.43%	1,472

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

[a] See Table 5 for property value data.

[b] See Table 14 for population data.

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

TABLE 11

	Fiscal Year									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
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	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5855	0.5830	0.5830	0.5730
Available Tax Rate	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.91	$ 1.92	$ 1.92	$ 1.93

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

CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2017 (UNAUDITED)

TABLE 12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable[a]	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	$ 491,725,000	89.837%	$ 441,753,024
Collin College District	14,843,861	15.515%	2,303,091
Collin County	352,380,000	15.504%	54,634,269
Allen ISD	673,785,275	6.276%	42,289,700
Frisco ISD	1,941,538,851	15.456%	294,252,272
Melissa ISD	192,966,838	0.173%	333,354
Prosper ISD	449,110,691	24.409%	109,623,103
Lovejoy ISD	167,695,234	2.696%	4,520,539
Subtotal, overlapping debt	$ 4,284,045,750		$ 949,709,352
City of McKinney (direct debt)	248,998,953	100.000%	248,998,953
Total direct and overlapping debt			$ 1,198,708,305

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

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

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

TABLE 13

	Water and Sewer System Revenue Bonds				
Fiscal Year	**Total Revenues[a]**	**Less: Operating Expenses[b]**	**Net Available Revenue**	**Annual Requirement[c]**	**Times Coverage**
2008	$ 39,935,862	$ 29,237,087	$ 10,698,775	$ 5,353,390	2.00
2009	46,584,797	32,157,583	14,427,214	5,744,594	2.51
2010	48,990,765	34,215,781	14,774,984	5,797,296	2.55
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63
2015	59,442,114	49,810,061	9,632,053	4,110,810	2.34
2016	71,714,020	57,597,770	14,116,250	4,861,938	2.90
2017	80,127,546	61,991,651	18,135,895	7,052,254	2.57

Note: [a] Includes operating revenues and investment income.
[b] Includes operating expenses minus depreciation.
[c] Includes Principal and Interest (represents average annual requirement).

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

TABLE 14

Year	Estimated Population[a]	Personal Income[b]	Per Capita Personal Income[e]	Median Age[e]	Median Household Income[a]	School Enrollment[c]	Unemployment Rate[d]
2008	120,978	$ 3,409,764,930	$ 28,185	30.6	$ 63,366	23,310	4.70%
2009	122,083	3,440,909,355	28,185	30.6	63,366	23,889	7.40%
2010	131,117	3,695,532,645	28,185	30.6	63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	30.6	81,118	24,791	4.50%
2015	155,142	5,096,259,558	32,849	33.0	81,118	24,765	3.40%
2016	161,905	5,495,217,605	33,941	33.3	82,988	24,827	3.60%
2017	168,358	5,906,672,072	35,084	34.6	83,257	25,992	3.30%

Sources:
[a] Source Data: McKinney Planning Department
[b] Personal income calculated by multiplying estimated population by per capita personal income.
[c] Source Data: McKinney Independent School District
[d] Source Data: Texas Workforce Commission for month ending September
[e] Source Data: US Census Bureau

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

TABLE 15

	2017			2008		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
Raytheon Space & Airborne Systems	2,725	1	3.06%	2,980	1	5.34%
McKinney ISD	2,548	2	2.86%	2,649	2	4.74%
Collin County	1,922	3	2.16%	1,700	3	3.04%
Encore Wire Corp.	1,350	4	1.51%	—		-
Globe Life / Torchmark	1,250	5	1.40%	800	10	1.43%
City of McKinney	1,200	6	1.35%	—		-
Medical Center of McKinney	850	7	0.95%	928	7	1.66%
Baylor Medical Center	715	8	0.80%	—		-
Collin College	635	9	0.71%	809	9	-
Timber Blinds	450	10	0.50%	—		-
Blockbuster Entertainment Group	—		-	955	6	1.71%
Lattimore Materials	—		-	1,100	5	1.97%
Wal-Mart Stores (3) locations & Sams Club (1) Store	—		-	1,275	4	2.28%
Total	13,645		15.31%	13,196		22.18%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation
Total City Employment provided by Texas Labor Workforce Commission (TWC)

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

TABLE 16

	Fiscal Year									
Function/Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
General government	88.5	90.5	104.5	102.5	91.0	98.5	101.5	109.8	119.8	124.0
Police	192.0	203.0	208.0	207.0	206.0	219.0	236.0	238.0	244.0	261.0
Fire	166.2	167.2	167.2	166.7	164.5	167.5	171.5	174.5	188.0	191.0
Libraries	31.1	38.7	37.7	34.8	32.8	38.6	38.6	40.0	41.0	41.0
Development	114.6	112.6	105.1	97.0	81.5	82.5	92.0	95.0	96.0	101.5
Parks and recreation	83.5	84.5	81.5	84.0	85.0	87.0	87.0	91.8	108.5	155.9
Public works	67.0	60.7	61.7	61.7	61.7	61.4	66.9	71.1	74.1	74.5
Water/wastewater	77.3	79.7	77.7	74.7	74.7	73.0	77.4	80.6	84.3	103.1
Surface water drainage	0.0	11.0	11.0	11.0	11.0	11.0	14.3	14.3	15.3	16.5
Solid waste	9.0	10.0	12.0	12.0	12.0	12.0	13.0	13.0	13.0	14.5
Airport *	0.0	0.0	0.0	0.0	0.0	0.0	23.0	23.5	23.0	24.0
Total[a]	829.2	857.8	866.3	851.4	820.2	850.5	921.1	951.5	1006.9	1107.0

Source: City of McKinney Budget Book

[a] Excludes component units

* FY14 - The Airport component unit was reclassified in to a city enterpise fund

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

Function/Program	Fiscal Year 2008	2009	2010	2011
Police				
Number of police officers	158	161	161	161
Number of violations (citations)[a]	27,804	30,623	33,729	18,754a
Fire				
Number of fire fighters	150	151	151	151
Number of fire suppression runs	2,950	3,109	3,239	3,598
Number of EMS runs	6,100	6,800	7,100	6,180
Development Services				
Construction permits issued[b]	5,539	4,154	3,816	4,316
Estimated valuation[b]	$ 480,774,997	$ 772,318,950	$ 533,916,212	$ 469,799,412
Public Works				
Street maintenance - paved (miles)	8	9	9	11
Street signs repaired/installed	2,000	2,500	2,500	1,671
Parks and Recreation				
Park land and municipal acreage maintained	1,566	1,566	1,566	1,708
Rounds of golf	35,878	36,000	35,000	33,064
Library				
Volumes in collection[c]	149,406	177,800	210,000	219,704
Annual circulation	652,675	660,000	900,000	1,095,739
Water and Wastewater				
Number of water customers	39,590	40,498	41,853	42,946
Average daily water consumption (million gallons)	23.2	23.0	22.7	28.5
Maximum storage capacity (million of gallons)	42.0	44.0	44.0	44.0
Solid Waste				
Recyclables collected (tons)[d]	21,603	20,155	17,985	18,482
Solid waste collected (tons)	132,902	119,780	121,566	114,936
Airport[e]				
AvGas Gallons Sold	-	-	-	-
Jet Fuel Gallons Sold	-	-	-	-
Aircraft Operations	-	-	-	-

Source: City Departments

Note:
[a] Basis for issued citation reconciliation adjusted in FY11
[b] Includes residential, commercial, and miscellaneous permits (*i.e.* pools, fences)
[c] Includes books and media.
[d] Recyclable material, by definition, comprises both MRF tons (residential and commercial) and compost tons.
[e] Acquired airport fixed based operations (FBO) in FY14. First full year of airport FBO recorded in FY15.

Fiscal Year					
2012	2013	2014	2015	2016	2017
161	187	188	192	193	209
17,366	14,944	16,966	14,524	13,380	17,504
153	159	161	162	177	183
2,883	3,716	4,571	4,828	3,373	3,700
6,936	6,613	7,170	7,642	9,537	10,333
6,461	5,607	5,920	6,499	9,220	17,843
$ 722,830,462	$ 843,390,781	$ 876,066,508	$ 1,967,876,862	$ 1,154,787,809	$ 4,026,442,652
15	13	4	1	3	6
1,260	1,299	1,750	2,979	1,483	835
1,834	1,834	1,834	1,834	1,857	1,834
34,400	35,121	31,400	28,500	27,314	27,138
227,585	232,814	232,814	223,674	217,402	210,936
1,179,539	1,205,789	1,205,789	1,401,625	1,640,857	1,741,330
44,644	46,791	49,456	51,636	52,922	56,512
28.5	26.7	24.0	25.3	28.8	28.8
44.0	44.0	46.0	48.0	63.0	62.0
19,651	21,675	23,480	19,723	19,991	22,390
117,587	123,928	127,467	138,488	135,425	141,923
-	-	-	158,549	186,763	202,756
-	-	-	986,105	1,167,799	1,180,926
-	-	-	105,232	118,684	132,349

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

TABLE 18

	Fiscal Year									
Function/Program	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	65	82	110	120	120	126	141	153	153	144
Motorcycle Units	11	9	8	8	8	7	7	9	9	7
Skywatch Towers	-	-	1	2	2	2	2	2	2	2
Trailers	-	-	-	-	-	-	4	8	8	9
Fire										
Stations	6	7	8	8	8	8	8	8	8	8
Public Works										
Streets-Paved (miles)	625	625	706	723	723	761	729	753	775	863
Streets-Graded (miles)	39	39	16	16	16	16	16	17	17	10
Streets-Unimproved (miles)	14	14	14	14	14	14	3	1	1	3
Alleys (miles)	80	80	78	78	78	71	78	78	73	73
Street lights (Including US 75)	4,760	4,760	4,760	5,901	5,901	6,147	6,333	6,776	6,790	6,790
Parks and Recreation										
Park Acreage	1,862	2,025	2,025	2,025	2,082	2,432	2,247	2,247	2,310	2,396
Public Parks	34	36	36	36	39	40	40	40	41	41
Community/Recreation Centers	3	3	3	3	3	3	3	3	3	4
Public Swimming Pools	3	3	3	3	3	3	3	3	3	4
Splash Pads	5	6	7	7	7	7	7	7	8	8
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	2	2	13	13	13	13	13	13
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	1	1	2	2	2	2	2	2	2
Dog Park	-	-	-	-	-	-	1	1	1	1
Skate Park	-	-	-	-	-	1	1	1	1	1
Municipal Golf Course[b]	1	1	1	1	1	1	1	1	1	1
Ice Rink[b]	-	-	1	1	1	1	1	1	1	1
Library	1	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	42	44	44	44	44	46	46	48	63	63
Water Mains (miles)	737	765	770	787	806	820	1,020	826	868	928
Fire Hydrants	6,529	7,388	6,688	7,007	7,473	7,734	7,823	8,030	8,384	9,042
Storm Sewer (miles)	257	257	257	266	396	406	428	430	450	483
Sanitary Sewers (miles)	582	605	610	630	620	662	672	628	653	693
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	661	661	745	745	745	745	745	745	745	774
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150	7002x150	7002x150	7002x150

Source: City Departments

Note: [a] per Police Department
[b] City owned, privately operated

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