

CITY OF MCKINNEY

SUMMARY REPORT TO AUDIT COMMITTEE

YEAR ENDED SEPTEMBER 30, 2009



February 25, 2010

To the Audit Committee
City of McKinney
McKinney, Texas

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund and the aggregate remaining fund information of the City of McKinney as of and for the year ended September 30, 2009, and have issued our report thereon dated February 25, 2010. The following information is provided to you related to our audit.

**Our Responsibility Under Generally Accepted Auditing Standards
and OMB Circular A-133**

As stated in our engagement letter dated June 9, 2009, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of City of McKinney. Such considerations were for the purpose of determining our audit procedures and to report on the internal control structure in accordance with OMB Circular A-133 and not to provide any assurance concerning such internal control structure.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on overall compliance with such provisions. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with specific requirements applicable to major federal financial assistance programs for the purpose of expressing an opinion on the City's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements.

We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 9, 2009.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

Management's estimates relating to the recognition of claims liability for the City's health self-insurance plans were made based on historical data. We evaluated the key factors and assumptions used to develop the claims liability in determining that it is reasonable in relation to the internal service fund-type financial statements taken as a whole.

Management's estimates relating to the recognition of claims liability for the City's workers' compensation self-insurance plan were made based on actuarial calculations. We evaluated the key factors and assumptions used to develop the claims liability in determining that it is reasonable in relation to the internal service fund-type financial statements taken as a whole.

Management's estimates relating to the annual cost and the actuarial accrued liability for other post-employment benefits were made based on third party reports. We evaluated the key factors and assumptions used to develop the annual cost and liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible taxes is based upon historical trends. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the governmental funds financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated.

We proposed one adjustment during the audit which was considered significant by the above definition. The adjustment was to reduce revenue and increase accrued liabilities by approximately \$800,000 for amounts collected, which were due to a developer.

Professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has determined that their effects of the entries not recorded by the City are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

The following schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

PASSED ADJUSTMENT SCHEDULE

Account	Description	Debit	Credit
Proposed JE # 3001			
These accounts is to hold deposits that are used for technology and security updates for the police department. This balance should be restricted revenue, not recorded in a liability account.			
00100002202200	MUNI COURT SECURITY	243,568.00	
00100002202300	MUNI COURT TECHNOLOGY	116,920.00	
00100003511014	TECHNOLOGY FEE	33,293.00	
00100002530000	FUND BALANCE UNRESERVED		381,111.00
00100003511011	SECURITY FEE		12,670.00
Total		393,781.00	393,781.00
Proposed JE # 3002			
To increase IBNR based on Lag report			
00121114138576	MEDICAL CLAIMS PAID	195,761.00	
00100002040000	CLAIMS/JUDGMENTS PAYABLE		195,761.00
Total		195,761.00	195,761.00

Management Representations

Professional standards require that management provides certain representations to the auditor. A copy of management's written representations have been provided to those in charge of governance.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

We appreciate the opportunity to be of service.

This report is intended solely for the use of the audit committee and management of the City, and should not be used for any other purpose.

Yours very truly,

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.