



City of McKinney, Texas

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

Fiscal Year Ended September 30, 2023



COTTONWOOD PARK UPGRADE

FISCAL
YEAR
2022
2023



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Annual Comprehensive Financial Report

**Fiscal Year Ended
September 30, 2023**

As Prepared By
Financial Services



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 Annual Comprehensive Financial Report
 For the Fiscal Year Ended September 30, 2023
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Introductory Section





February 14, 2024

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

The Annual Comprehensive Financial Report (ACFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2023, 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.

Weaver & Tidwell, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of McKinney's financial statements for the year ended September 30, 2023. 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 214,810 as of January 1, 2024. 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 voluntary annexation, which occurs periodically, when deemed appropriate by the landowner and 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 the McKinney Urban Transit District, a separate legal entity. The McKinney Urban Transit District is included in governmental activities. Additionally, the financial statements include McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), McKinney Housing Finance Corporation (MHFC), and McKinney Main Street (MMS). These separate legal entities are reported as discretely presented component units on the government-wide statements.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The City currently estimates population at 214,810. Compared to 195,308 in the 2020 census and 131,117 in the 2010 census, this is an increase of 10% and 64%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota, State Farm Insurance, Liberty Mutual Insurance and the Dallas Cowboys. 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 186% since fiscal year 2014.

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, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Insurance, UPS, PACCAR, Independent Bank, Costco, SRS Distribution and Service First Mortgage.

The small business community is equally important to the vitality of McKinney's economy. McKinney's 175-year old city center, one of the oldest authentic historic downtowns in Texas, serves as a thriving retail, dining, entertainment and business destination with over 150 unique small businesses. In 2020, the City partnered with Tupps Brewery to expand its brewery operations to the City's historic grain site. This will create a unique destination within McKinney and be a catalyst for development on the city's east side.

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

LONG-TERM FINANCIAL PLANNING

The City prepares 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 2023, the City completed a long-term water/wastewater rate study that included capital improvement needs in the foreseeable future. This study again made rate suggestions to include passing through all North Texas Municipal Water rate increases at a minimum, which continues to be adopted by the City Council since first proposed in 2016 and is revisited on an annual basis during the budget process.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN

This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan is being used to guide a 2019 bond referendum for voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

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's 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.

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 or 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.

TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property tax revenues. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax 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.

MAJOR INITIATIVES

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. By the end of fiscal year 2023, a 15,000 square foot airfield maintenance & storage building was substantially completed. This facility, located east of the airport fuel farm, serves as a hub for Airport Maintenance Specialists and is used for storing, protecting, and repairing airport vehicles, machinery, equipment, and supplies used to maintain the airfield grounds, facilities, and infrastructure. Additionally, construction continues on a 1,500 feet runway extension. This extension will benefit the entire DFW area by allowing the airport to more effectively serve its role as a reliever for the region's commercial service airports.

DIRECTION FOR STRATEGIC AND ECONOMIC GROWTH

The City of McKinney, in partnership with MEDC and MCDC, provides development incentive agreements to businesses that will improve the economic and social well-being of its citizens. Major projects incentivized in 2023 include, Kaizen completed construction on a 200,000 square foot office building, HEB completed construction on a 125,000 square foot grocery store, and Raytheon continues construction on a 400,000 square foot factory, lab and office space.

ENHANCE THE QUALITY OF LIFE IN MCKINNEY

The City of McKinney is committed to leisure and recreational opportunities that enrich the quality of life for residents and visitors. A series of renovations were completed at Oak Hollow Golf Course to improve the greens, collars, tee boxes, putting surfaces, restroom facilities, clubhouse, and golf carts to provide premier public facilities and amenities. A six-court indoor tennis facility expansion was completed at Gabe Nesbitt Community Park, allowing for both recreation and amateur tournament play. Playground equipment replacements across various parks are ongoing.

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 2023, major project initiatives included construction of a new municipal complex and Craig Ranch Soccer Complex. Other initiatives included the airport runway extension and McKinney Ranch Parkway pump station improvements. Renovations to various athletic fields and parks throughout the City continue. In addition, design and construction continues for various water and street improvements citywide.

For Fiscal Year 2024, major project initiatives include continuing construction of the new municipal complex and Craig Ranch Soccer Complex. Other initiatives include construction of a new Fire Department Administration facility to include offices, training, logistics, and a new fire station. Additionally, the construction of an additional corporate hanger and custom facility will begin at the airport. 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 ACFR for the fiscal year ended September 30, 2022. This was the thirty-ninth consecutive year the City 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 annual comprehensive 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 ACFR 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, 2022. This is the thirty-ninth consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

Also, in 2023, McKinney maintained its 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 two hundred and seventeen applications from local entities, of which only thirteen 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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of McKinney
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

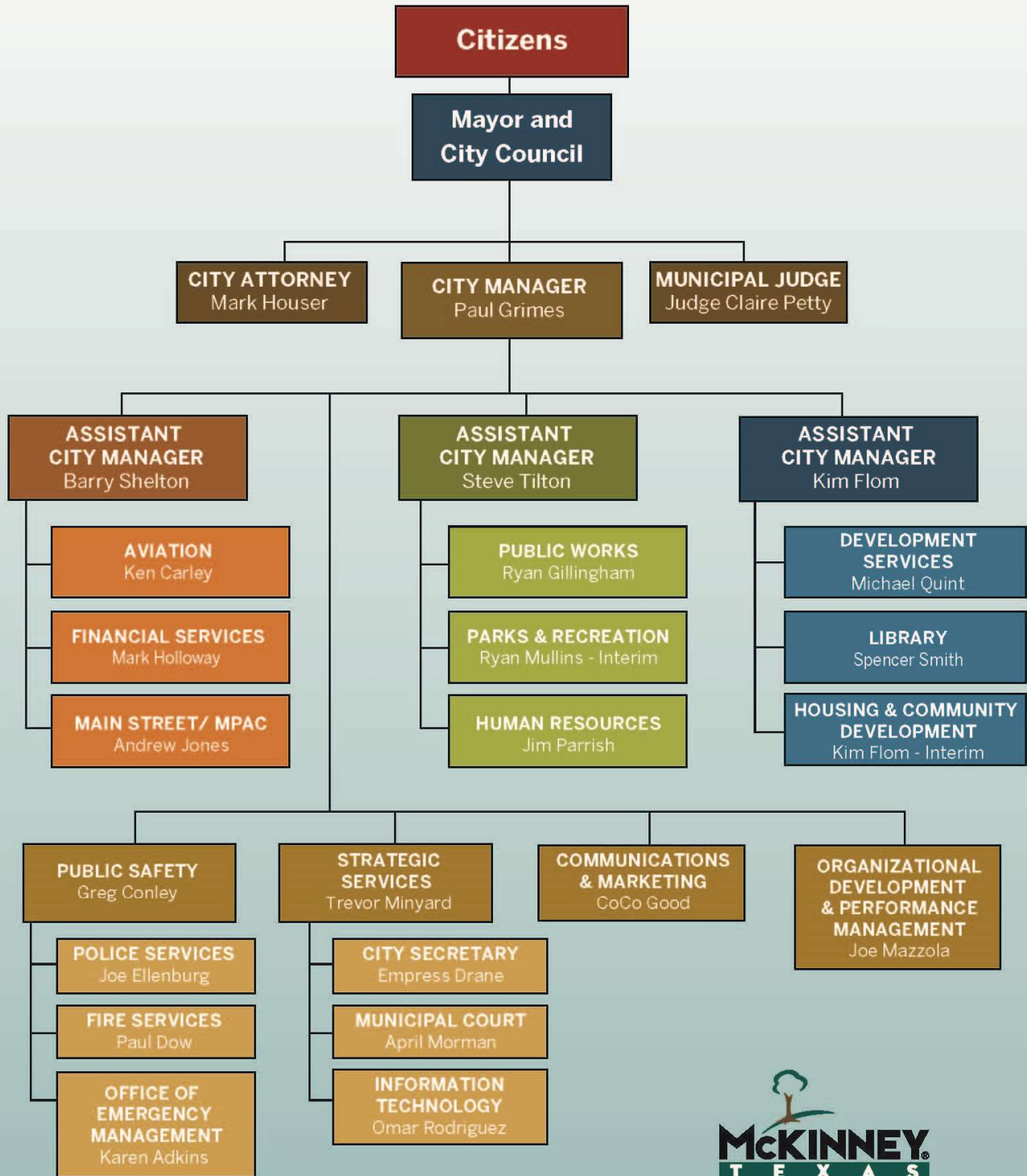
September 30, 2022

Christopher P. Morill

Executive Director/CEO

CITY OF MCKINNEY ORGANIZATIONAL CHART

(AS OF 01-02-2024)



City of McKinney, Texas City Officials

CITY COUNCIL

George Fuller, Mayor
Charlie Philips, Mayor Pro-Tem
Justin Beller
Patrick Cloutier
Geré Feltus
Rick Franklin
Michael Jones

CITY MANAGER

Paul Grimes

ASSISTANT CITY MANAGERS

Kim Flom
Barry Shelton
Steve Tilton

CHIEF FINANCIAL OFFICER

Mark Holloway



Financial Section



Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, Texas (City), as of and for the year ended September 30, 2023, and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 GAAS, 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.

Supplementary 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 accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and is 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 GAAS. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 14, 2024



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, 2023. 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, 2023, by \$1,728 million (Net Position). Of this amount, \$1,278 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 \$208 million (12%). The remaining \$242 million (14%) 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 \$250 million or 17%. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$47 million or 24%.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$449 million, an increase of \$42 million in comparison to the prior year. Approximately \$90 million, or 20%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, \$5.0 million is nonspendable for inventory and prepaid items. Fund balance is restricted in the amounts of \$8.7 million for debt service, \$295.9 million is for street construction and other capital projects, and \$12.4 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of \$13.1 million for other postemployment benefits (OPEB), \$22.1 million for capital equipment replacement, \$0.6 million for disaster relief and \$0.6 million for public and performing arts. The remaining \$90.1 million is unassigned fund balance and can be used for any lawful purpose. The unassigned fund balance is equal to 47% of total general fund expenditures. This represents 22% more than the fund balance policy requirement of 25%.
- On a government-wide basis, the City's total liabilities increased by \$88.4 million or 11% during the current fiscal year. Major contributable factors include debt issuances resulting in net increase of \$43.0 million increase to bonds payable including associated changes in bond premiums.

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

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

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

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

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

The government-wide financial statements can be found on pages 21-23 of this report.

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

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

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

The City of McKinney maintains twelve 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 nine governmental funds are combined into a single, aggregated presentation.

Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 24-29.

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

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

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

The basic proprietary fund financial statements can be found on pages 30-33.

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 39-89.

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 92-99.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 105-139 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 \$1,728 million as of September 30, 2023.

By far the largest portion of the City's net position, \$1,278 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, \$208 million or 12%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$242 million or 14% may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets						
Current and other assets	\$ 526,979	\$ 492,771	\$ 398,845	\$ 334,907	\$ 925,824	\$ 827,678
Capital assets	947,851	824,058	707,513	631,454	1,655,364	1,455,512
Total Assets	1,474,830	1,316,829	1,106,358	966,361	2,581,188	2,283,190
Deferred Outflows of Resources	45,893	21,849	9,265	6,479	55,158	28,328
Liabilities						
Other liabilities	41,151	56,352	48,592	41,914	89,743	98,266
Long-term liabilities outstanding	501,676	442,738	280,645	242,628	782,321	685,366
Total Liabilities	542,827	499,090	329,237	284,542	872,064	783,632
Deferred Inflows of Resources	25,702	36,043	10,815	14,077	36,517	50,120
Net Position						
Net investment in capital assets	682,445	575,424	595,684	529,209	1,278,129	1,104,633
Restricted	183,572	155,971	24,089	22,655	207,661	178,626
Unrestricted	86,177	72,150	155,798	122,357	241,975	194,507
Total Net Position	\$ 952,194	\$ 803,545	\$ 775,571	\$ 674,221	\$ 1,727,765	\$ 1,477,766

The City of McKinney's net position increased by \$250 million during the current fiscal year. This was driven by an increase in governmental and business-type net position of \$148.7 million and \$101.3 million, respectively. Details are listed in the table below.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Revenues:						
Program revenues:						
Charges for services	\$ 40,900	\$ 37,961	\$ 166,958	\$ 151,842	\$ 207,858	\$ 189,803
Operating grants and contributions	6,236	10,705	50	198	6,286	10,903
Capital grants and contributions	119,592	57,434	85,850	25,059	205,442	82,493
General revenues:						
Property taxes	147,760	136,122	-	-	147,760	136,122
Sales taxes	48,394	45,586	-	-	48,394	45,586
Franchise taxes	19,398	18,445	-	-	19,398	18,445
Other taxes and fees	243	277	-	-	243	277
Investment income	22,578	(5,657)	14,882	(1,963)	37,460	(7,620)
Other revenues	4,405	1,409	(20)	391	4,385	1,800
Total revenues	409,506	302,282	267,720	175,527	677,226	477,809
Expenses:						
General government	48,694	54,030	-	-	48,694	54,030
Police	50,630	44,046	-	-	50,630	44,046
Fire	49,176	41,485	-	-	49,176	41,485
Libraries	4,825	4,282	-	-	4,825	4,282
Development	15,593	14,462	-	-	15,593	14,462
Parks and recreation	28,401	23,565	-	-	28,401	23,565
Public works	58,471	51,037	-	-	58,471	51,037
Interest on long-term debt	12,234	9,113	-	-	12,234	9,113
Airport	-	-	18,459	18,981	18,459	18,981
Water/Wastewater	-	-	126,622	109,780	126,622	109,780
Solid Waste	-	-	9,285	8,627	9,285	8,627
Golf Course	-	-	496	74	496	74
Surface Water Drainage	-	-	4,342	3,359	4,342	3,359
Total expenses	268,024	242,020	159,204	140,821	427,228	382,841
Increase (decrease) in net position before transfers and special items	141,482	60,262	108,516	34,706	249,998	94,968
Transfers	7,167	8,758	(7,167)	(8,758)	-	-
Increase (decrease) in net position	148,649	69,020	101,349	25,948	249,998	94,968
Net Position - Beginning	803,545	734,525	674,222	648,273	1,477,767	1,382,798
Net Position - Ending	\$ 952,194	\$ 803,545	\$ 775,571	\$ 674,221	\$ 1,727,765	\$ 1,477,766

Governmental activities

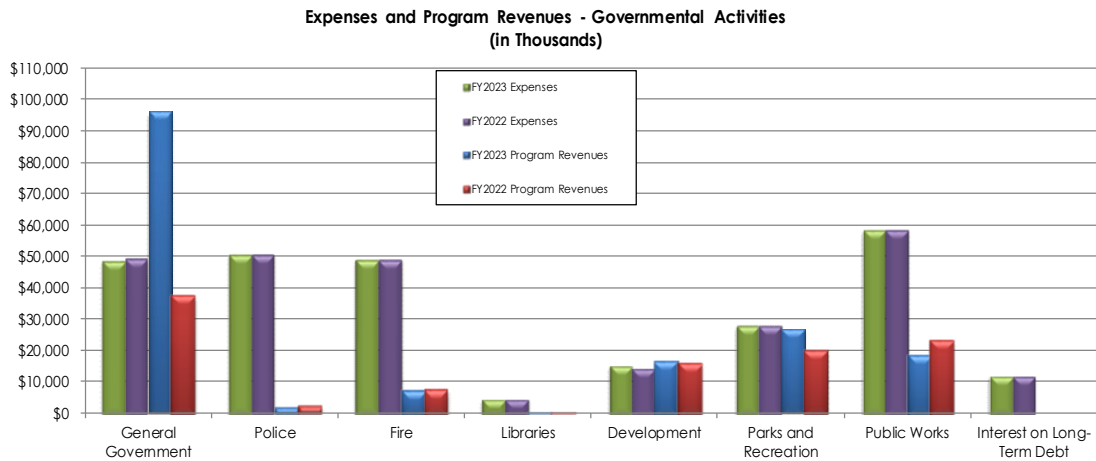
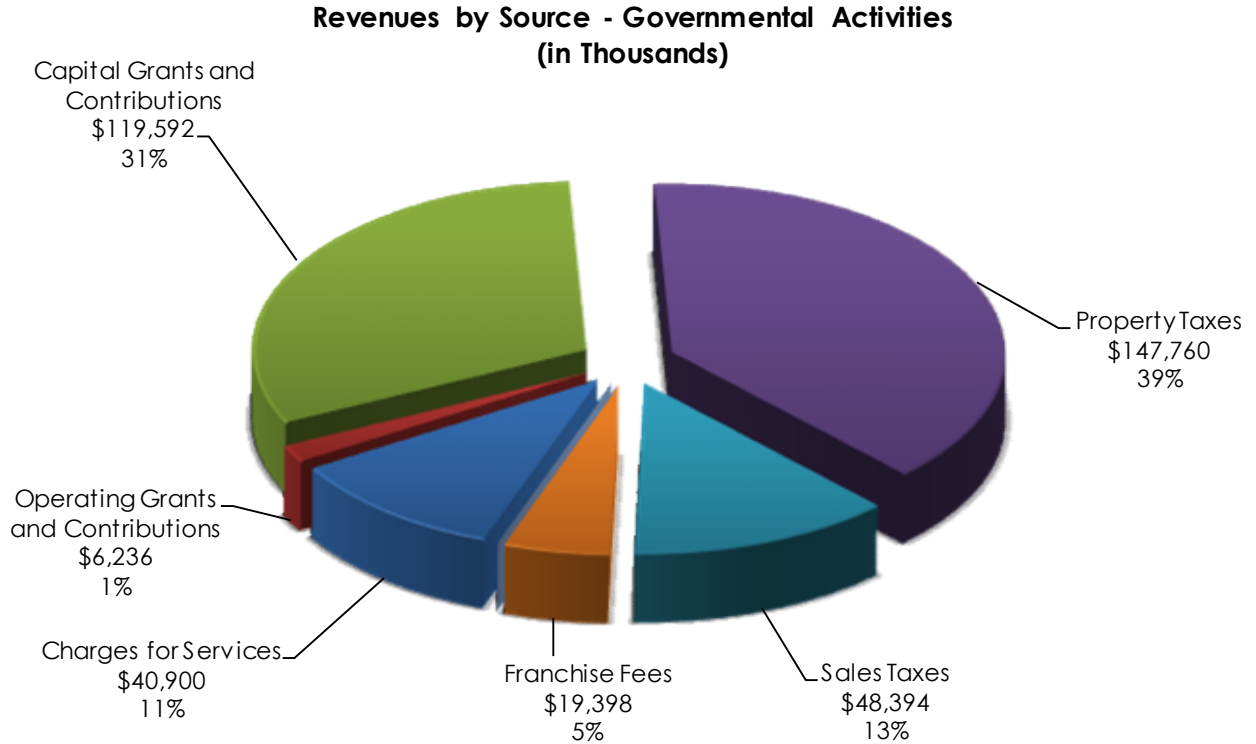
Governmental activities increased the City's net position by \$148.7 million during the current fiscal year. The key elements of this increase are as follows:

Revenues

- Property Taxes increased by \$11.6 million as a result of a 29% increase in certified taxable value.
- Investment Income increased by \$28.2 million as a result of the federal reserve continuously increasing the rates since 2022.
- Capital grants and contributions increased by \$62.2 million as a result of the \$21 million in ARPA revenue being recognized and an increase of \$37.6 million in developer contributions.

Expenses

- The City's public safety expenses increased by \$14.3 million due to newly added positions, pay plan adjustments, and step increases.
- The 2023 budget authorized 63 additional positions.



Business-type activities

Business-type activities increased the City of McKinney's net position by \$101.3 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

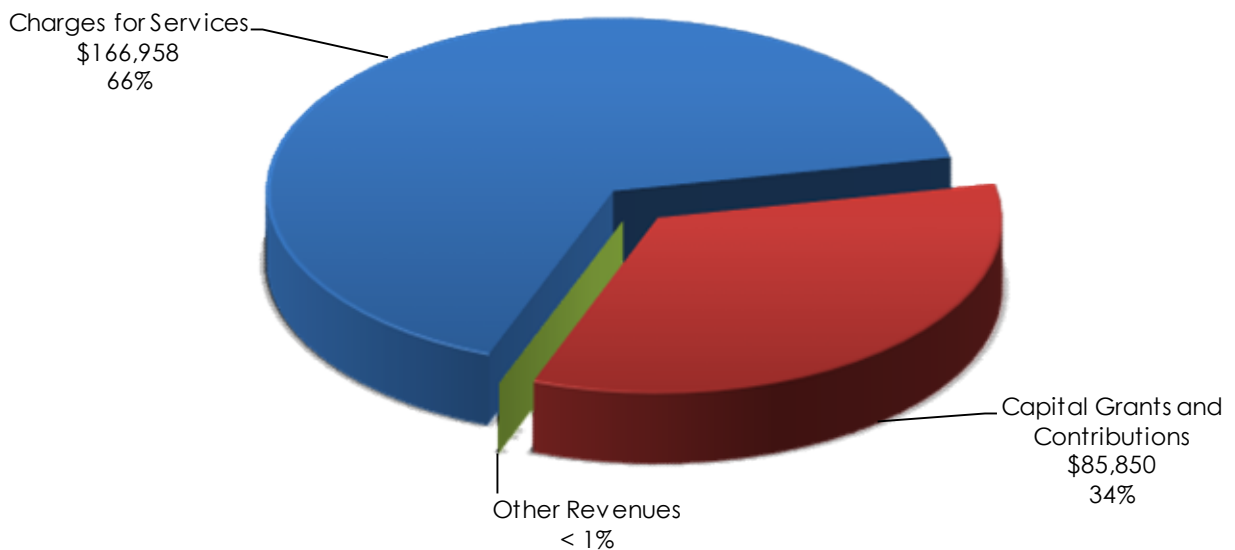
Revenues

- The Water/Wastewater Fund's operating revenues increased by \$14.4 million, or 12% as a result of adding approximately 3,000 new customer accounts.
- The Water/Wastewater Fund received capital contributions of \$74.5 million relating to continued development in the City.
- The Airport Fund received capital contributions of \$11.4 million relating to continued development at the Airport.

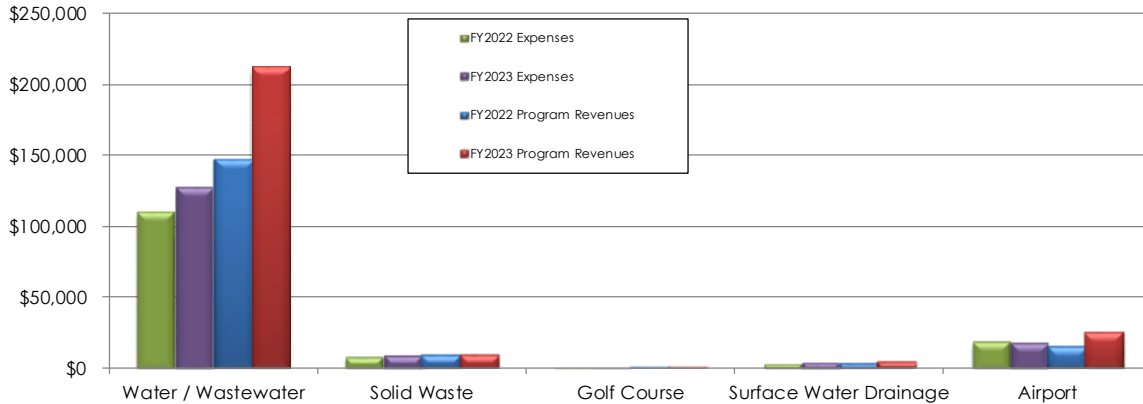
Expenses

- The Water/Wastewater Fund's operating expenses increased by of \$15.3 million or 15%. This increase is attributed to an increase of \$8.3 million in water purchases from North Texas Municipal Water District.
- The Surface Water Drainage Fund's operating expenses increased by \$1 million mainly attributable to 4 additional positions and step plan increases.

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



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



Financial Analysis of the City's Funds

Governmental Funds

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

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$448.5 million, an increase of \$42.3 million or 10% in comparison to the prior year. Approximately \$90.1 million or 20% 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 24 for financial details and notes to financial statements 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 \$90.1 million, while total fund balance was \$131.9 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 47% of total general fund expenditures.

General fund balance increased \$16.9 million, or 15%, over the prior year due to increases in property tax revenue from higher property valuations and investment income due to the federal reserve increasing rates.

The original budget included a planned increase in fund balance of \$0.2 million. However, the general fund balance increased by \$16.9 million or 15% during the current fiscal year. Actual revenue was above budget by \$11.5 million primarily related to licenses and permits being \$3.7 million over the original budget.

Debt Service Fund. The debt service fund had a total fund balance of \$8.7 million, an increase of \$1.8 million over the prior year. Property taxes from higher property valuations outweigh the City's annual debt service requirements.

Capital Projects Fund. The governmental capital projects fund had an ending fund balance of \$255.9 million. Total expenditures for the current year were \$114.4 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 the acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include construction of the new Municipal Complex and Craig Ranch Soccer Complex renovations.

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, 2023, 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 \$93.2 million resulting primarily from capital contributions. Operating revenues totaled \$137.8 million, an increase of \$14.4 million, or 12% over the prior year due to adding approximately 3,000 new customer accounts. Operating expenses in the Water and Wastewater Fund were \$116.8 million, an increase of \$15.3 million or 15% over the prior year, primarily a result of the 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 \$139.8 million, which was an increase of \$8.2 million compared to the previous year. The unrestricted net position of the Airport Fund decreased by \$8.2 million or 52% during the current fiscal year. Operating revenues stayed the same as the prior year, but the Airport received \$11.4 million in capital contributions. Operating expenses were \$18.4 million which decreased by \$0.5 million.

Solid Waste Fund. The City's Solid Waste Fund net position increased by \$228 thousand. Operating revenues totaled \$10.1 million, which was an increase of \$207 thousand as compared to the previous year. Operating expenses and net transfers were \$10.3 million which were \$1.1 million lower than the previous year.

Golf Course Fund. The Golf Course Fund net position decreased by \$349 thousand. Revenues were approximately \$156.8 thousand which was the contract fee. Expenses were primarily city constructed maintenance improvements and depreciation totaling \$496 thousand. 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's net position increased by \$86 thousand to \$6.4 million. Charges for services remained relatively consistent with the prior year at \$4.5 million.

General Fund Budgetary Highlights

The actual FY2022-23 expenditures were \$192.1 million, \$11.5 million less than the final budget of \$203.6 million. However, at the end of the year, \$3.2 million of budgeted economic incentives were re-appropriated to fiscal year 2024.

Actual revenues were \$205.6 million or \$5.2 million more than the \$200.3 million budget plan. The final revenue budget was \$11.5 million more than the original adopted budget mainly attributed to the increase in licenses and permits.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had \$1.65 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, water and wastewater systems, drainage systems, park facilities, and police and fire equipment, as well as right-to-use lease and SBITA assets. This amount represents a net increase (including additions and deductions) of \$197 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:

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Land	\$ 94,957	\$ 80,641	\$ 54,357	\$ 53,488	\$ 149,314	\$ 134,129
Works of art	1,054	1,024	-	-	1,054	1,024
Construction in progress	161,250	159,682	62,893	49,974	224,143	209,656
Buildings	180,953	135,004	46,294	35,551	227,247	170,555
Right-to-use leased assets	1,575	2,114	88	169	1,663	2,283
SBITA assets	666	-	-	-	666	-
Infrastructure	478,509	417,563	534,551	484,730	1,013,060	902,293
Machinery and equipment	28,859	27,997	9,330	7,542	38,189	35,539
Service animals	28	33	-	-	28	33
Total	\$ 947,851	\$ 824,058	\$ 707,513	\$ 631,454	\$ 1,655,364	\$ 1,455,512

Capital project commitments as of September 30, 2023:

Description	Appropriated Commitment
Water/Wastewater Projects	\$ 11,019,865
Streets Projects	44,637,914
Parks Projects	26,413,241
Public Safety Projects	10,890,068
Municipal Facilities	68,530,839
Airport Projects	27,107,901
	<u>\$ 188,599,828</u>

Additional information about the City's capital assets is presented in Note (3) to the financial statements at pages 59-62.

Long-term Debt. At year end, the City had \$661.1 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was \$618.1 million at the end of the prior fiscal year. This represents an increase of 7%. All outstanding debt is summarized in thousands below:

	Governmental Activities		Business-Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
General obligation bonds, certificates of obligations and tax notes (backed by the City)	\$ 395,408	\$ 382,432	\$ -	\$ -	\$ 395,408	\$ 382,432
Revenue bonds (backed by fee revenues)	-	-	265,701	235,709	265,701	235,709
Totals	\$ 395,408	\$ 382,432	\$ 265,701	\$ 235,709	\$ 661,109	\$ 618,141

In 2023, the City once again received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds. Moody's Investors Service reaffirmed its Aaa rating and Standard and Poor's reaffirmed its AAA rating for the City's general obligation bonds. The city reaffirmed ratings of Aa1 from Moody's and AA+ with stable outlook from Standard and Poor's for its water and wastewater utilities system.

Additional information on the long-term debt can be found in Note (3) to the financial statements starting at page 65.

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 2024 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2024 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2024 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced by three cents to \$0.427513 cents per \$100 assessed value
- Total City budget \$849 million
- General Fund budget \$202.6 million
- Increased and sustained funding for equipment and facilities improvements
- Budget supplemental funding of \$16.7 million (\$6.3 million for additional staff and other recurring costs, \$10.4 million for one-time costs) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program
- Additional 50.75 full-time equivalent (FTE) positions (32.50 in the General Fund and 18.25 in other funds)

The property tax rate for fiscal year 2024 decreased from \$0.457485 to \$0.427513 per \$100 assessed value.

Requests for Information

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





Basic Financial Statements

City of McKinney, Texas
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 179,219,000	\$ 11,766,327	\$ 190,985,327	\$ 11,264,714
Investments	162,156,650	70,424,775	232,581,425	79,096,880
Receivables (net of allowance for uncollectibles)	21,770,275	25,032,649	46,802,924	8,523,619
Leases receivable	14,772,168	9,824,644	24,596,812	778,688
Internal balances	448,528	(448,528)	-	-
Due from other governments	1,961,494	-	1,961,494	-
Other assets	-	-	-	51
Inventory	379,422	992,043	1,371,465	-
Prepaid items	4,629,374	2,082,988	6,712,362	104,750
Restricted assets:				
Cash and cash equivalents	141,641,798	257,305,811	398,947,609	3,916,541
Investments	-	21,343,701	21,343,701	-
Accrued interest receivable	-	520,438	520,438	-
Capital assets:				
Non depreciable	257,260,733	117,249,894	374,510,627	95,179,803
Depreciable/amortizable (net)	690,590,094	590,263,120	1,280,853,214	3,765,638
Total assets	1,474,829,536	1,106,357,862	2,581,187,398	202,630,684
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	41,120,664	5,500,673	46,621,337	737,918
Deferred OPEB outflows	3,468,886	342,691	3,811,577	45,973
Deferred charge for refunding	1,303,708	244,357	1,548,065	99,541
Excess consideration provided for acquisition	-	3,177,303	3,177,303	-
Total deferred outflows of resources	45,893,258	9,265,024	55,158,282	883,432
LIABILITIES				
Accounts payable	21,015,720	8,337,674	29,353,394	2,670,814
Other accrued liabilities	11,801,861	3,154,069	14,955,930	43,554
Unearned revenue	4,671,110	31,179,966	35,851,076	5,438,484
Accrued interest payable	1,896,977	444,706	2,341,683	97,941
Deposits	1,765,124	5,475,673	7,240,797	10,000
Non-current liabilities:				
Due within one year:				
Compensated absences	1,588,536	162,859	1,751,395	13,643
Bonds payable	40,839,660	13,333,720	54,173,380	3,305,000
Subscription liability	679,064	-	679,064	-
Right-to-use lease liability	516,509	84,276	600,785	247,152
Due in more than one year:				
Arbitrage liability	1,142,661	1,938,457	3,081,118	-
Compensated absences	16,061,863	1,646,687	17,708,550	137,943
Bonds payable	354,568,494	252,367,219	606,935,713	31,195,000
Right-to-use lease liability	1,157,026	7,176	1,164,202	2,937,148
Net pension liability	68,899,646	9,216,645	78,116,291	1,236,415
Total OPEB liability	16,222,756	1,888,467	18,111,223	253,339
Total liabilities	542,827,007	329,237,594	872,064,601	47,586,433
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	143,094	19,143	162,237	2,568
Deferred OPEB inflows	11,415,306	1,327,516	12,742,822	178,087
Deferred lease inflows	14,144,120	9,468,032	23,612,152	765,391
Total deferred inflows of resources	25,702,520	10,814,691	36,517,211	946,046
NET POSITION				
Net investment in capital assets	682,444,748	595,683,976	1,278,128,724	61,360,682
Restricted for:				
Use of impact fees	18,048,550	7,197,129	25,245,679	-
Debt service	7,313,471	16,891,621	24,205,092	3,894,279
Capital projects	105,664,530	-	105,664,530	-
Public safety	750,717	-	750,717	-
Community development	48,760,307	-	48,760,307	-
Court	518,211	-	518,211	-
PEG	1,993,461	-	1,993,461	-
Grants and donations	522,187	-	522,187	-
Unrestricted	86,177,085	155,797,875	241,974,960	89,726,676
TOTAL NET POSITION	\$ 952,193,267	\$ 775,570,601	\$ 1,727,763,868	\$ 154,981,637

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

City of McKinney, Texas
Statement of Activities
For The Year Ended September 30, 2023

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 48,694,161	\$ 10,808,804	\$ 2,226,743	\$ 82,991,807
Police	50,629,631	328,471	1,615,218	129,184
Fire	49,175,956	6,824,224	126,153	111,538
Libraries	4,825,193	31,670	-	-
Development	15,593,514	14,834,226	1,751,289	-
Parks and recreation	28,400,636	6,550,447	517,416	19,758,117
Public works	58,471,080	1,522,289	-	16,601,706
Interest on long-term debt	12,234,378	-	-	-
Total governmental activities	268,024,549	40,900,131	6,236,819	119,592,352
Business-type activities:				
Water/wastewater	126,622,456	137,696,263	-	74,491,294
Solid waste	9,285,350	10,345,654	-	-
Golf course	495,940	57,779	-	-
Surface water drainage	4,342,075	4,532,964	-	-
Airport	18,459,126	14,325,805	50,000	11,358,465
Total business-type activities	159,204,947	166,958,465	50,000	85,849,759
Total primary government	\$ 427,229,496	\$ 207,858,596	\$ 6,286,819	\$ 205,442,111
Component units:				
Governmental Activities:				
McKinney Economic Development Corp	\$ 21,956,146	\$ -	\$ -	\$ -
McKinney Community Development Corp	11,703,600	-	-	-
McKinney Convention & Visitors Bureau	1,098,440	-	1,030,000	-
McKinney Main Street Corporation	1,166,848	1,074,282	161,000	-
	35,925,034	1,074,282	1,191,000	-
Business-type activities:				
McKinney Housing Finance Corporation	68,042	1,379,667	-	-
Total component units	\$ 35,993,076	\$ 2,453,949	\$ 1,191,000	\$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Investment income (loss)				
Gain on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ 47,333,193	\$ -	\$ 47,333,193	\$ 96,027,354
(48,556,758)	-	(48,556,758)	2,072,873
(42,114,041)	-	(42,114,041)	7,061,915
(4,793,523)	-	(4,793,523)	31,670
992,001	-	992,001	16,585,515
(1,574,656)	-	(1,574,656)	26,825,980
(40,347,085)	-	(40,347,085)	18,123,995
(12,234,378)	-	(12,234,378)	-
(101,295,247)	-	(101,295,247)	166,729,302
-	85,565,101	85,565,101	-
-	1,060,304	1,060,304	-
-	(438,161)	(438,161)	-
-	190,889	190,889	-
-	7,275,144	7,275,144	-
-	93,653,277	93,653,277	-
(101,295,247)	93,653,277	(7,641,970)	166,729,302
\$ -	\$ -	\$ -	\$ (21,956,146)
-	-	-	(11,703,600)
-	-	-	(68,440)
-	-	-	68,434
-	-	-	(33,659,752)
-	-	-	1,311,625
\$ -	\$ -	\$ -	\$ (32,348,127)
\$ 147,760,434	\$ -	\$ 147,760,434	\$ -
48,394,360	-	48,394,360	44,612,368
19,398,158	-	19,398,158	-
243,174	-	243,174	-
22,577,570	14,881,601	37,459,171	3,219,687
-	47,726	47,726	73,413
4,402,974	(67,460)	4,335,514	357,250
7,166,678	(7,166,678)	-	-
249,943,348	7,695,189	257,638,537	48,262,718
148,648,101	101,348,466	249,996,567	15,914,591
803,545,166	674,222,135	1,477,767,301	139,067,046
\$ 952,193,267	\$ 775,570,601	\$1,727,763,868	\$ 154,981,637

City of McKinney, Texas
 Balance Sheet
 Governmental Funds
 September 30, 2023

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 39,304,138	\$ 8,554,760	\$ 216,073,172	\$ 51,480,855	\$ 315,412,925
Investments	83,674,284	-	63,683,827	-	147,358,111
Receivables (net of allowance for uncollectibles):					
Delinquent property taxes	1,134,143	511,383	-	-	1,645,526
Accounts	4,360,506	-	33,783	13,985	4,408,274
Notes	1,156,052	-	-	-	1,156,052
Leases	14,772,168	-	-	-	14,772,168
Other taxes and fees	11,288,789	-	-	322,639	11,611,428
Accrued interest	383,134	146,305	833,226	-	1,362,665
Due from other funds	557,130	-	-	-	557,130
Due from other governments	1,017,726	-	-	943,768	1,961,494
Inventory	379,422	-	-	-	379,422
Prepaid items	4,466,092	-	139,000	24,282	4,629,374
	<u>\$ 162,493,584</u>	<u>\$ 9,212,448</u>	<u>\$ 280,763,008</u>	<u>\$ 52,785,529</u>	<u>\$ 505,254,569</u>
LIABILITIES					
Accounts payable	\$ 6,173,171	\$ 2,000	\$ 13,149,930	\$ 597,317	\$ 19,922,418
Other accrued liabilities	3,675,107	-	7,910,535	75,552	11,661,194
Deposits	1,765,124	-	-	-	1,765,124
Due to other funds	-	-	-	108,602	108,602
Unearned revenue	875,273	-	3,795,837	-	4,671,110
	<u>12,488,675</u>	<u>2,000</u>	<u>24,856,302</u>	<u>781,471</u>	<u>38,128,448</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	3,924,029	522,928	-	-	4,446,957
Leases	14,144,120	-	-	-	14,144,120
	<u>18,068,149</u>	<u>522,928</u>	<u>-</u>	<u>-</u>	<u>18,591,077</u>
FUND BALANCES					
NONSPENDABLE:					
Inventory	379,422	-	-	-	379,422
Prepaid items	4,466,092	-	139,000	24,282	4,629,374
RESTRICTED:					
Debt service	-	8,687,520	-	-	8,687,520
Street construction	-	-	120,282,537	-	120,282,537
Capital projects	-	-	135,485,169	40,152,800	175,637,969
Law enforcement	46,896	-	-	849,031	895,927
Courts	518,211	-	-	-	518,211
Fire	-	-	-	48,109	48,109
PEG	-	-	-	1,993,461	1,993,461
Community housing	-	-	-	1,524,819	1,524,819
Hotel/Motel	-	-	-	7,082,688	7,082,688
Transit	-	-	-	308,639	308,639
Grants	-	-	-	20,229	20,229
ASSIGNED:					
Capital equipment replacement	22,056,257	-	-	-	22,056,257
Disaster relief	581,076	-	-	-	581,076
OPEB	13,131,483	-	-	-	13,131,483
Public & performing arts	636,955	-	-	-	636,955
UNASSIGNED	90,120,368	-	-	-	90,120,368
	<u>131,936,760</u>	<u>8,687,520</u>	<u>255,906,706</u>	<u>52,004,058</u>	<u>448,535,044</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 162,493,584</u>	<u>\$ 9,212,448</u>	<u>\$ 280,763,008</u>	<u>\$ 52,785,529</u>	<u>\$ 505,254,569</u>

The notes to the 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, 2023

Fund balances of governmental funds \$ 448,535,044

Amounts reported for governmental activities in the statement of net position are different because:

Receivables not measurable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements. 4,446,957

Capital assets (net of accumulated depreciation/amortization) 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/amortization. This does not include internal service capital assets of \$117,995. 947,732,832

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:

Deferred pension outflows	\$ 41,120,664	
Deferred OPEB outflows	3,468,886	
Deferred charge on refunding	1,303,708	
Deferred pension inflows	(143,094)	
Deferred OPEB inflows	(11,415,306)	34,334,858

Internal service funds are used by management to charge the cost of certain activities, including self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 20,716,768

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. (1,896,977)

Long-term liabilities 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	\$(364,380,000)	
Bond premiums	(31,028,154)	
Arbitrage liability	(1,142,661)	
Subscription liability	(679,064)	
Right-to-use lease liability	(1,673,535)	
Net pension liability	(68,899,646)	
Total OPEB liability	(16,222,756)	
Compensated absences	(17,650,399)	(501,676,215)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 952,193,267**

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

City of McKinney, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For The Year Ended September 30, 2023

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	\$ 97,001,098	\$ 46,569,875	\$ -
Sales and use taxes	41,266,007	-	-
Franchise fees	19,367,205	-	-
Other taxes and fees	-	-	-
Licenses and permits	16,010,817	-	-
Intergovernmental	1,467,290	-	26,379,153
Charges for services	17,540,457	-	-
Fines and forfeitures	1,603,668	-	-
Investment income (loss)	6,397,544	1,405,685	11,882,932
Contributions	533,389	-	32,666,912
Miscellaneous	4,393,396	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	205,580,871	47,975,560	70,928,997
EXPENDITURES			
Current:			
General government	38,672,676	-	758,657
Police	46,019,694	-	-
Fire	43,195,124	-	328,218
Libraries	4,039,909	-	-
Development	13,653,879	-	-
Parks and recreation	20,469,904	-	690,663
Public works	19,889,188	-	2,884,570
Debt Service:			
Principal retirement	1,163,741	32,455,000	-
Interest and fiscal charges	131,360	13,742,123	277,788
Capital Expenditures:			
General government	249,086	-	42,494,814
Police	1,091,117	-	-
Fire	398,799	-	1,289,451
Libraries	37,762	-	-
Development	75,927	-	-
Parks and recreation	693,401	-	28,273,197
Public works	2,344,570	-	37,372,321
	<hr/>	<hr/>	<hr/>
Total expenditures	192,126,137	46,197,123	114,369,679
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>
	13,454,734	1,778,437	(43,440,682)
OTHER FINANCING SOURCES (USES)			
Other financing source-issuance of long-term debt	-	-	44,794,999
Premium on issuance of debt	-	-	4,729,860
Proceeds from sale of property	1,102,201	-	-
Transfers in	7,640,665	-	5,660,000
Transfers out	(5,284,702)	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	3,458,164	-	55,184,859
	<hr/>	<hr/>	<hr/>
Net change in fund balances	16,912,898	1,778,437	11,744,177
Fund balances, beginning of year	115,023,862	6,909,083	244,162,529
	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	\$ 131,936,760	\$ 8,687,520	\$ 255,906,706

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

Nonmajor Governmental Funds		Total Governmental Funds	
\$	3,756,889	\$	147,327,862
	7,128,353		48,394,360
	-		19,367,205
	243,174		243,174
	-		16,010,817
	4,550,454		32,396,897
	-		17,540,457
	312,255		1,915,923
	1,922,589		21,608,750
	48,302		33,248,603
	9,578		4,402,974
	<hr/>		<hr/>
	17,971,594		342,457,022
	4,390,163		43,821,496
	152,641		46,172,335
	127,050		43,650,392
	-		4,039,909
	1,563,190		15,217,069
	-		21,160,567
	-		22,773,758
	-		33,618,741
	675,760		14,827,031
	126,597		42,870,497
	142,553		1,233,670
	111,538		1,799,788
	-		37,762
	-		75,927
	-		28,966,598
	-		39,716,891
	<hr/>		<hr/>
	7,289,492		359,982,431
	<hr/>		<hr/>
	10,682,102		(17,525,409)
	<hr/>		<hr/>
	-		44,794,999
	-		4,729,860
	-		1,102,201
	1,524,702		14,825,367
	(373,987)		(5,658,689)
	<hr/>		<hr/>
	1,150,715		59,793,738
	<hr/>		<hr/>
	11,832,817		42,268,329
	40,171,241		406,266,715
	<hr/>		<hr/>
\$	52,004,058	\$	448,535,044
	<hr/>		<hr/>

City of McKinney, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended September 30, 2023

Net change in fund balances- total governmental funds.	\$ 42,268,329
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 outlay recorded as capital assets in the current period.	114,762,172
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.	60,183,671
Depreciation and amortization expense on capital assets, right-to-use lease assets, and SBITA assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.	(51,264,546)
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	\$ 32,455,000
Subscription liability	652,946
Right-to-use lease liability	510,796
	33,618,742
The issuance of long-term debt, such as bonds and 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	\$ (44,795,000)
Recognition of premium on debt issuance	(4,729,860)
Amortization of refunding loss	(324,385)
Amortization of bond premium	4,093,305
	(45,755,940)
The arbitrage liability is considered a long-term liability, and thus not recognized on the fund level financial statements.	(1,142,661)
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balances and as actuarially determined in the government-wide statement of activities.	(6,544,642)
Current year change in long-term liability for compensated absences does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(970,579)
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.	(33,606)
Internal service funds are used by management to share the costs of certain activities including self-insurance to individual funds.	3,811,713
In the governmental fund financial statements, the proceeds from the 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.	(1,338,118)
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.	1,053,566
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 148,648,101

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

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances- Budget (GAAP Basis) and Actual-General Fund For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Property taxes	\$ 98,534,232	\$ 98,159,232	\$ 97,001,098	\$ (1,158,134)
Sales and use taxes	40,814,748	41,258,064	41,266,007	7,943
Franchise fees	17,298,962	18,699,137	19,367,205	668,068
Licenses and permits	12,357,645	14,908,545	16,010,817	1,102,272
Intergovernmental	1,489,511	1,478,759	1,467,290	(11,469)
Charges for services	16,227,658	16,101,135	17,540,457	1,439,322
Fines and forfeitures	1,281,700	1,447,300	1,603,668	156,368
Investment income (loss)	4,223,000	4,736,461	6,397,544	1,661,083
Contributions	571,900	562,475	533,389	(29,086)
Miscellaneous	1,269,858	2,994,325	4,393,396	1,399,071
Total revenues	194,069,214	200,345,433	205,580,871	5,235,438
EXPENDITURES				
General government	46,738,041	50,297,547	40,216,863	10,080,684
Police	48,211,365	47,857,125	47,110,811	746,314
Fire	41,019,994	42,567,514	43,593,923	(1,026,409)
Libraries	4,100,761	4,217,810	4,077,671	140,139
Development	14,228,718	14,306,511	13,729,806	576,705
Parks and recreation	20,756,979	21,072,361	21,163,305	(90,944)
Public works	21,668,368	23,286,896	22,233,758	1,053,138
Total expenditures	196,724,226	203,605,764	192,126,137	11,479,627
Excess (deficiency) of revenues over (under) expenditures	(2,655,012)	(3,260,331)	13,454,734	16,715,065
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	480,000	470,000	1,102,201	632,201
Transfers in	5,212,014	5,648,032	7,640,665	1,992,633
Transfers out	(2,780,000)	(5,284,702)	(5,284,702)	-
Total other financing sources (uses)	2,912,014	833,330	3,458,164	2,624,834
Net change in fund balances	257,002	(2,427,001)	16,912,898	19,339,899
Fund balances, beginning of year	115,023,862	115,023,862	115,023,862	-
Fund balances, end of year	\$ 115,280,864	\$ 112,596,861	\$ 131,936,760	\$ 19,339,899

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

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,975,417	\$ 3,692,277	\$ 6,098,633	\$ 11,766,327	\$ 5,117,143
Investments	60,666,675	-	9,758,100	70,424,775	14,798,539
Restricted assets:					
Cash and cash equivalents	219,783,161	37,512,650	10,000	257,305,811	330,730
Receivables (net of allowance for uncollectibles)	21,931,100	128,121	2,541,631	24,600,852	1,526,977
Accrued interest receivable	301,742	-	130,055	431,797	59,353
Due from other funds	12,922	-	-	12,922	-
Notes receivable- interfund	-	-	3,434,221	3,434,221	-
Leases receivable	-	9,824,644	-	9,824,644	-
Inventory	802,127	189,916	-	992,043	-
Prepaid items	1,146,634	372,752	563,602	2,082,988	-
Total current assets	306,619,778	51,720,360	22,536,242	380,876,380	21,832,742
Noncurrent assets:					
Restricted assets:					
Investments	21,343,701	-	-	21,343,701	-
Accrued interest receivable	520,438	-	-	520,438	-
Total restricted assets	21,864,139	-	-	21,864,139	-
Capital assets:					
Land	12,241,533	41,549,244	566,509	54,357,286	-
Buildings	11,959,983	54,114,478	1,645,657	67,720,118	-
Improvements other than buildings	661,539,817	65,958,059	2,891,339	730,389,215	-
Machinery and equipment	15,596,962	2,112,732	4,418,869	22,128,563	-
Right-to-use leased asset	-	250,235	-	250,235	-
Construction in progress	39,508,884	23,371,472	12,252	62,892,608	117,995
Less accumulated depreciation/amortization	(171,724,579)	(52,889,147)	(5,611,285)	(230,225,011)	-
Total capital assets (net of accumulated depreciation)	569,122,600	134,467,073	3,923,341	707,513,014	117,995
Total noncurrent assets	590,986,739	134,467,073	3,923,341	729,377,153	117,995
TOTAL ASSETS	897,606,517	186,187,433	26,459,583	1,110,253,533	21,950,737
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	3,558,256	824,536	1,117,881	5,500,673	-
Deferred OPEB outflows	221,679	51,369	69,643	342,691	-
Deferred charge for refunding	244,357	-	-	244,357	-
Excess consideration provided for acquisition	-	3,177,303	-	3,177,303	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,024,292	4,053,208	1,187,524	9,265,024	-

(continued)

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

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Airport	Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,039,117	\$ 282,631	\$ 1,085,676	\$ 2,407,424	\$ 1,093,302
Other accrued liabilities	494,972	49,161	442,825	986,958	140,667
Due to other funds	431,183	-	30,267	461,450	-
Note payable- interfund	-	505,004	56,049	561,053	-
Compensated absences	102,443	24,270	36,146	162,859	-
Accrued interest payable	444,706	-	-	444,706	-
Right-to-use lease liability	-	84,276	-	84,276	-
Total current liabilities unrestricted	2,512,421	945,342	1,650,963	5,108,726	1,233,969
Liabilities (payable from restricted assets):					
Accounts payable	2,229,158	3,701,092	-	5,930,250	-
Revenue bonds payable	13,333,720	-	-	13,333,720	-
Unearned revenue	-	31,179,966	-	31,179,966	-
Other accrued liabilities	1,822,446	344,665	-	2,167,111	-
Deposits	5,256,178	209,495	10,000	5,475,673	-
Total current liabilities (payable from restricted assets)	22,641,502	35,435,218	10,000	58,086,720	-
Total current liabilities	25,153,923	36,380,560	1,660,963	63,195,446	1,233,969
Noncurrent liabilities:					
Compensated absences	1,035,817	245,393	365,477	1,646,687	-
Note payable- interfund	-	2,514,894	358,274	2,873,168	-
Right-to-use lease liability	-	7,176	-	7,176	-
Arbitrage liability	1,938,457	-	-	1,938,457	-
Revenue bonds, certificates of obligation payable	252,367,219	-	-	252,367,219	-
Net pension liability	5,962,029	1,381,551	1,873,065	9,216,645	-
Total OPEB liability	1,221,605	283,075	383,787	1,888,467	-
Total noncurrent liabilities	262,525,127	4,432,089	2,980,603	269,937,819	-
TOTAL LIABILITIES	287,679,050	40,812,649	4,641,566	333,133,265	1,233,969
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	12,383	2,869	3,891	19,143	-
Deferred OPEB inflows	858,738	198,991	269,787	1,327,516	-
Deferred leases inflows	-	9,468,032	-	9,468,032	-
TOTAL DEFERRED INFLOWS OF RESOURCES	871,121	9,669,892	273,678	10,814,691	-
NET POSITION					
Net investment in capital assets	461,430,771	130,329,864	3,923,341	595,683,976	117,995
Restricted for:					
Use of impact fees	7,197,129	-	-	7,197,129	-
Debt service	16,891,621	-	-	16,891,621	-
Unrestricted	127,561,117	9,428,236	18,808,522	155,797,875	20,598,773
TOTAL NET POSITION	\$ 613,080,638	\$ 139,758,100	\$ 22,731,863	\$ 775,570,601	\$ 20,716,768

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

City of McKinney, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Airport	Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 137,696,263	\$ 14,325,805	\$ 14,936,397	\$ 166,958,465	\$ 31,175,306
Intergovernmental	-	50,000	-	50,000	-
Miscellaneous	97,431	1,117	(166,008)	(67,460)	2,130,285
Total operating revenues	137,793,694	14,376,922	14,770,389	166,941,005	33,305,591
OPERATING EXPENSES					
Personnel services	13,950,261	3,012,585	4,279,938	21,242,784	-
Materials, supplies and services	937,244	6,583,112	201,473	7,721,829	26,279,821
Maintenance	3,910,279	457,045	322,647	4,689,971	-
Purchase of water	68,581,016	-	-	68,581,016	-
Contract payments	8,193,391	488,267	8,674,431	17,356,089	2,182,877
Utilities	912,013	224,602	2,388	1,139,003	-
Depreciation and amortization	13,918,201	4,829,256	457,015	19,204,472	-
Other	6,401,449	2,802,881	185,473	9,389,803	-
Total operating expenses	116,803,854	18,397,748	14,123,365	149,324,967	28,462,698
Operating income (loss)	20,989,840	(4,020,826)	647,024	17,616,038	4,842,893
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	13,291,268	905,308	685,025	14,881,601	968,820
Interest and fiscal charges	(9,818,602)	(61,378)	-	(9,879,980)	-
Gain (loss) from disposal of assets	43,516	-	4,210	47,726	-
Total non-operating revenues	3,516,182	843,930	689,235	5,049,347	968,820
Income (loss) before contributions and transfers	24,506,022	(3,176,896)	1,336,259	22,665,385	5,811,713
Contributions	74,491,294	11,358,465	-	85,849,759	-
Transfers in	-	-	106,989	106,989	-
Transfers out	(5,795,581)	-	(1,478,086)	(7,273,667)	(2,000,000)
Change in net position	93,201,735	8,181,569	(34,838)	101,348,466	3,811,713
Net position - beginning	519,878,903	131,576,531	22,766,701	674,222,135	16,905,055
TOTAL NET POSITION - ending	\$ 613,080,638	\$ 139,758,100	\$ 22,731,863	\$ 775,570,601	\$ 20,716,768

The notes to the 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, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 130,935,556	\$ 14,180,723	\$ 15,001,381	\$ 160,117,660	\$ 29,835,307
Other operating revenues	97,431	1,117	(166,008)	(67,460)	2,130,285
Cash payments to employees for services	(13,324,683)	(2,820,001)	(4,048,388)	(20,193,072)	-
Cash payments to suppliers for goods and services	(85,417,012)	(5,163,010)	(9,497,141)	(100,077,163)	(28,305,519)
Net cash provided by (used in) operating activities	32,291,292	6,198,829	1,289,844	39,779,965	3,660,073
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	106,989	106,989	-
Cash received from other funds	-	-	552,674	552,674	-
Transfers to other funds	(5,795,581)	-	(1,478,086)	(7,273,667)	(2,000,000)
Net cash provided by (used in) non-capital financing activities	(5,795,581)	-	(818,423)	(6,614,004)	(2,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(10,140,000)	-	-	(10,140,000)	-
Bond proceeds	42,928,190	-	-	42,928,190	-
Principal paid on interfund loans	-	(497,589)	(55,085)	(552,674)	-
Interest and fiscal charges on debt	(12,464,515)	(61,378)	-	(12,525,893)	-
Acquisition and construction of capital assets	2,872,677	(10,935,837)	(1,066,459)	(9,129,619)	(117,995)
Proceeds from sale of assets	23,125	-	9,210	32,335	-
Capital grants	-	1,062,979	-	1,062,979	-
Net cash provided by (used in) capital and related financing activities	23,219,477	(10,431,825)	(1,112,334)	11,675,318	(117,995)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(16,030,977)	-	(249,100)	(16,280,077)	(14,798,539)
Proceeds from sale and maturities of securities	43,516	-	-	43,516	-
Investment earnings (loss)	13,291,268	905,308	685,025	14,881,601	968,820
Net cash provided by (used in) investing activities	(2,696,193)	905,308	435,925	(1,354,960)	(13,829,719)
Net increase (decrease) in cash	47,018,995	(3,327,688)	(204,988)	43,486,319	(12,287,641)
Cash and cash equivalents at beginning of year	174,739,583	44,532,615	6,313,621	225,585,819	17,735,514
Cash and cash equivalents at end of year	\$ 221,758,578	\$ 41,204,927	\$ 6,108,633	\$ 269,072,138	\$ 5,447,873
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION					
Unrestricted cash and cash equivalents	\$ 1,975,417	\$ 3,692,277	\$ 6,098,633	\$ 11,766,327	\$ 5,117,143
Restricted cash and cash equivalents	219,783,161	37,512,650	10,000	257,305,811	330,730
	\$ 221,758,578	\$ 41,204,927	\$ 6,108,633	\$ 269,072,138	\$ 5,447,873
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 20,989,840	\$ (4,020,826)	\$ 647,024	\$ 17,616,038	\$ 4,842,893
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	13,918,201	4,829,256	457,015	19,204,472	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(6,279,877)	893	139,310	(6,139,674)	(1,280,646)
Accrued interest receivable	(652,806)	-	(74,326)	(727,132)	(59,353)
Due from other funds	2,313	-	-	2,313	-
Inventory	169,663	(42,318)	-	127,345	-
Prepaid items	(329,209)	1,933,497	(332,362)	1,271,926	-
Leases receivable and deferred inflows from leases	-	(153,657)	-	(153,657)	-
Increase (decrease) in liabilities:					
Accounts payable	739,395	3,398,958	222,270	4,360,623	144,873
Accrued liabilities	817,605	98,804	2,092	918,501	12,306
Due to other funds	37,714	-	(2,729)	34,985	-
Compensated absences	68,272	63,444	56,462	188,178	-
Deposits	322,536	(38,362)	-	284,174	-
Arbitrage liability	1,930,339	-	-	1,930,339	-
Net pension liability and OPEB obligation	557,306	129,140	175,088	861,534	-
Total adjustments	11,301,452	10,219,655	642,820	22,163,927	(1,182,820)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 32,291,292	\$ 6,198,829	\$ 1,289,844	\$ 39,779,965	\$ 3,660,073
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets	\$ 74,491,294	\$ 11,358,465	\$ -	\$ 85,849,759	\$ -
Transfer of capital assets	-	-	-	-	-

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



City of McKinney, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2023

	Governmental Activities			Business-Type Activities		Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	
ASSETS						
Cash and cash equivalents	\$ 1,839,306	\$ 6,742,908	\$ 93,790	\$ 497,592	\$ 2,091,118	\$ 11,264,714
Investments	20,538,420	58,558,460	-	-	-	79,096,880
Receivables (net of allowance for uncollectibles)	4,151,763	4,127,492	-	95,380	148,984	8,523,619
Leases receivable	584,016	194,672	-	-	-	778,688
Prepaid items	74,171	20,279	3,800	6,500	-	104,750
Other assets	-	-	-	-	51	51
Restricted assets:						
Cash and cash equivalents	3,916,541	-	-	-	-	3,916,541
Capital assets:						
Non depreciable	66,893,335	22,814,830	-	-	5,471,638	95,179,803
Depreciable (net)	2,376,095	763,822	504,643	121,078	-	3,765,638
Total assets	100,373,647	93,222,463	602,233	720,550	7,711,791	202,630,684
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	448,238	114,917	174,763	-	-	737,918
Deferred OPEB outflows	27,925	7,160	10,888	-	-	45,973
Deferred charge for refunding	99,541	-	-	-	-	99,541
Total deferred outflows of resources	575,704	122,077	185,651	-	-	883,432
LIABILITIES						
Accounts payable	1,331,798	1,110,174	14,726	167,108	47,008	2,670,814
Other accrued liabilities	23,620	5,923	13,940	71	-	43,554
Unearned revenue	-	-	-	21,250	5,417,234	5,438,484
Accrued interest payable	22,262	75,679	-	-	-	97,941
Deposits	7,500	2,500	-	-	-	10,000
Non-current liabilities:						
Due within one year:						
Compensated absences	4,675	5,262	3,706	-	-	13,643
Bonds payable	2,190,000	1,115,000	-	-	-	3,305,000
Right-to-use lease liability	154,267	51,422	41,463	-	-	247,152
Due in more than one year:						
Compensated absences	47,271	53,201	37,471	-	-	137,943
Bonds payable	16,100,000	15,095,000	-	-	-	31,195,000
Right-to-use lease liability	1,842,309	614,103	480,736	-	-	2,937,148
Net pension liability	751,043	192,548	292,824	-	-	1,236,415
Total OPEB liability	153,887	39,453	59,999	-	-	253,339
Total liabilities	22,628,632	18,360,265	944,865	188,429	5,464,242	47,586,433
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	1,560	400	608	-	-	2,568
Deferred OPEB inflows	108,176	27,734	42,177	-	-	178,087
Deferred lease inflows	574,043	191,348	-	-	-	765,391
Total deferred inflows of resources	683,779	219,482	42,785	-	-	946,046
NET POSITION						
Net investment in capital assets	49,082,395	6,703,127	(17,556)	121,078	5,471,638	61,360,682
Restricted for:						
Debt service	3,894,279	-	-	-	-	3,894,279
Unrestricted	24,660,266	68,061,666	(182,210)	411,043	(3,224,089)	89,726,676
TOTAL NET POSITION (DEFICIT)	\$ 77,636,940	\$ 74,764,793	\$ (199,766)	\$ 532,121	\$ 2,247,549	\$ 154,981,637

The notes to the 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, 2023

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
McKinney Economic Dev. Corporation	\$ 21,956,146	\$ -	\$ -	\$ -
McKinney Community Dev. Corporation	11,703,600	-	-	-
McKinney Convention & Visitors Bureau	1,098,440	-	1,030,000	-
McKinney Main Street Corporation	1,166,848	1,074,282	161,000	-
Total governmental activities	35,925,034	1,074,282	1,191,000	-
Business-type activities:				
McKinney Housing Finance Corporation	68,042	1,379,667	-	-
Total business-type activities	68,042	1,379,667	-	-
TOTAL COMPONENT UNITS	\$ 35,993,076	\$ 2,453,949	\$ 1,191,000	\$ -

General revenues:

- Sales taxes
- Investment income
- Gain (loss) on the sale of assets
- Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position

Component Units					
McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
\$ (21,956,146)	\$ -	\$ -	\$ -	\$ -	\$ (21,956,146)
-	(11,703,600)	-	-	-	(11,703,600)
-	-	(68,440)	-	-	(68,440)
-	-	-	68,434	-	68,434
(21,956,146)	(11,703,600)	(68,440)	68,434	-	(33,659,752)
-	-	-	-	1,311,625	1,311,625
-	-	-	-	1,311,625	1,311,625
<u>\$ (21,956,146)</u>	<u>\$ (11,703,600)</u>	<u>\$ (68,440)</u>	<u>\$ 68,434</u>	<u>\$ 1,311,625</u>	<u>\$ (32,348,127)</u>
\$ 22,306,184	\$ 22,306,184	\$ -	\$ -	\$ -	\$ 44,612,368
1,057,556	2,158,496	2,992	434	209	3,219,687
73,413	-	-	-	-	73,413
353,373	-	3,877	-	-	357,250
23,790,526	24,464,680	6,869	434	209	48,262,718
1,834,380	12,761,080	(61,571)	68,868	1,311,834	15,914,591
75,802,560	62,003,713	(138,195)	463,253	935,715	139,067,046
<u>\$ 77,636,940</u>	<u>\$ 74,764,793</u>	<u>\$ (199,766)</u>	<u>\$ 532,121</u>	<u>\$ 2,247,549</u>	<u>\$ 154,981,637</u>



City of McKinney, Texas

Notes to The Financial Statements

Note 1. Summary of Significant Accounting Policies

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

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2023.

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.

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. Discretely presented component units are legally separate entities that are not considered part of the City's operations; therefore, data from these component units are shown separately from the data of the City.

City of McKinney, Texas

Notes to The Financial Statements

Blended Component Units

The McKinney Urban Transit District (MUTD) is a blended component unit presented as a nonmajor 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 Prosper who are 65 years of age or older or are disabled. MUTD services almost exclusively benefit the primary government even though it does not provide services directly to the City.

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 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 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.

City of McKinney, Texas

Notes to The Financial Statements

The McKinney Housing Finance Corporation (MHFC) is a discretely presented component unit in the basic financial statements. 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.

All discretely presented component units were deemed to be major component units for presentation purposes.

Government-Wide and Fund Financial Statements

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

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund's financial statements. The major governmental funds are the general fund, debt service fund, and capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), 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.

City of McKinney, Texas

Notes to The Financial Statements

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

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.

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.

City of McKinney, Texas

Notes to The Financial Statements

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, libraries, public safety, parks, recreation and technology.

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.

City of McKinney, Texas

Notes to The Financial Statements

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

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.

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, 2023, 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.

City of McKinney, Texas
Notes to The Financial Statements

Interfund Receivables and Payables

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

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

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.

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 \$10,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Right-to-use lease assets are discussed in Leases, and SBITA assets are discussed in Subscription-Based Information Technology Arrangements (SBITAs).

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

City of McKinney, Texas
Notes to The Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets (including right-to-use leased assets) of the primary government, as well as the component units, are depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Years
Buildings/structures	10 to 50
Land improvements	10 to 50
Water and sewer system	50
Machinery and equipment	3 to 15
Motor vehicles	3 to 10
Traffic signals	10 to 15
Parks	20
Service animals	7 to 10
Storm sewer	50
Streets	20
SBITA software	2
Right-to-use leased buildings	3 to 6
Right-to-Use leased equipment	3 to 5

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 earned 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.

Bonds Payable and Other 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 charges 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.

City of McKinney, Texas

Notes to The Financial Statements

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.

Leases

Lessee

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$125,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor

The City is a lessor for noncancellable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental fund and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of McKinney, Texas

Notes to The Financial Statements

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITAs)

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$125,000 or more.

At the commencement of an SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

City of McKinney, Texas
Notes to The Financial Statements

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.

Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

Governmental Activities, Business-type Activities and Component Units of the City reported the following total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEBs as of September 30, 2023:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:			
Retiree Health Care Plan	\$ 14,117,370	\$ 2,561,781	\$ 9,923,941
Supplemental Death Benefits Plan	2,105,386	907,105	1,491,365
	<u>\$ 16,222,756</u>	<u>\$ 3,468,886</u>	<u>\$ 11,415,306</u>
Business-Type Activities:			
Retire Health Care Plan	<u>\$ 1,888,467</u>	<u>\$ 342,691</u>	<u>\$ 1,327,516</u>
Component Units:			
Retire Health Care Plan	<u>\$ 253,339</u>	<u>\$ 45,973</u>	<u>\$ 178,087</u>

For the year ended September 30, 2023, the City recognized aggregate OPEB expense of \$1,973,111.

Allocations of OPEB items to the City's enterprise funds and component units are determined on the basis of full-time employee counts by department.

City of McKinney, Texas

Notes to The Financial Statements

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 assets that applies to a future reporting 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 for refundings – A deferred charge for 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.
- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes of Assumptions (pensions and OPEBs) – 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 investments – 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 assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension and OPEB expense) until that time. The City has four types of items that qualify for reporting in this category in the government-wide financial statements. The difference in expected and actual experience and changes of assumptions 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. In addition, there are deferred amounts related to leases, that is initially an offset to leases receivable recorded at lease commencement, and is subsequently recognized as revenue over the life of the lease term.

City of McKinney, Texas

Notes to The Financial Statements

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 includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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.

GASB Pronouncements Implemented by the City

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The requirements of this Statement have no impact on the City's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments; and 4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for reporting periods beginning after June 15, 2022, with earlier application encouraged. The City has implemented this Statement in fiscal year 2023.

City of McKinney, Texas

Notes to The Financial Statements

GASB Statement No. 99, Omnibus 2022, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to extension of use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended and terminology updates related to Statements No. 53 and 63 were implemented in the prior fiscal year. All other requirements of this Statement have been implemented in fiscal year 2023.

Note 2. Stewardship, Compliance, and Accountability

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 2023, the total amendments to the original adopted budgeted amounts resulted in a \$6,881,538 increase in budgeted General Fund expenditures.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and each nonmajor special revenue 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.

City of McKinney, Texas
Notes to The Financial Statements

Note 3. Detailed Notes on All Funds

Cash and Investments

Cash and investments as of September 30, 2023, consist of and are classified in the accompanying financial statements as follows:

PRIMARY GOVERNMENT

Statement of net position:

Cash and cash equivalents	\$ 190,985,327
Investments	232,581,425
Restricted cash and cash equivalents	398,947,609
Restricted investments	21,343,701

Total cash and investments	<u><u>\$ 843,858,062</u></u>
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Cash on hand	\$ 9,476
Deposits with financial institution, excluding certificates of deposit	37,876,849
Investments	805,971,737

Total cash and investments	<u><u>\$ 843,858,062</u></u>
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COMPONENT UNITS

Statement of net position:

Cash and cash equivalents	\$ 11,264,714
Investments	79,096,880
Restricted cash and cash equivalents	3,916,541

Total cash and investments	<u><u>\$ 94,278,135</u></u>
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Cash on hand	\$ 400
Deposits with financial institution, excluding certificates of deposit	6,155,998
Investments	88,121,737

Total cash and investments	<u><u>\$ 94,278,135</u></u>
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City of McKinney, Texas

Notes to The Financial Statements

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

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 in aggregate.

As of September 30, 2023, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
PRIMARY GOVERNMENT		
TexPool/TexPool Prime	\$ 93,336,760	24 days
LOGIC	182,915,932	18 days
TexasDAILY	142,289,625	20 days
Texas Term	20,000,000	44 days
Texas CLASS	113,504,294	31 days
Federal Agency Securities	253,925,126	967 days
Total Fair Value	\$ 805,971,737	
COMPONENT UNITS		
TexPool Prime	\$ 3,806,396	12 days
LOGIC	1,504,981	18 days
TexasDAILY	1,202,901	20 days
Texas CLASS	2,510,579	31 days
Federal Agency Securities	79,096,880	
Total Fair Value	\$ 88,121,737	
Total Fair Value - Reporting Entity	\$ 894,093,474	

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

City of McKinney, Texas
Notes to The Financial Statements

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
PRIMARY GOVERNMENT			
TexPool/TexPool Prime	\$ 93,336,760	AAA/AAA-m	AAA-m
LOGIC	182,915,932	AAA/AAA-m	AAA-m
TexasDAILY	142,289,625	AAA/AAA-m	AAA-m
TexasTerm	20,000,000	AAA/AAA-m	AAA-m
Texas CLASS	113,504,294	AAA/AAA-m	AAA-m
Federal Agency Securities	253,925,126	AAA	AAA
	\$ 805,971,737		

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
COMPONENT UNITS			
TexPool Prime	\$ 3,806,396	AAA/AAA-m	AAA-m
LOGIC	1,504,981	AAA/AAA-m	AAA-m
TexasDAILY	1,202,901	AAA/AAA-m	AAA-m
Texas CLASS	2,510,579	AAA/AAA-m	AAA-m
Federal Agency Securities	79,096,880	AAA	AAA
	\$ 88,121,737		

Custodial Credit Risk

The 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 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, 2023, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

City of McKinney, Texas

Notes to The Financial Statements

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.

Property Taxes

Property tax is levied each October 1st on the assessed value listed as of the prior January 1st 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 1st 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 1st immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2023, were 99.67% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2023 and the preceding year are as follows (amounts per \$100 assessed value):

	2023	2022
General Fund	\$ 0.311797	\$ 0.345517
Debt Service	0.145688	0.152138
	<u>\$ 0.457485</u>	<u>\$ 0.497655</u>

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level. In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

City of McKinney, Texas
Notes to The Financial Statements

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 2023 ad valorem tax rate of \$0.457485 is in compliance with the rate limitation.

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	
				Governmental Funds	Total
Interest	\$ 383,134	\$ 146,305	\$ 833,226	\$ -	\$ 1,362,665
Taxes	12,422,932	511,383	-	322,639	13,256,954
Accounts	5,398,182	-	33,783	13,985	5,445,950
Notes	1,156,052	-	-	-	1,156,052
Leases	14,772,168	-	-	-	14,772,168
Due from other governments	1,017,726	-	-	943,768	1,961,494
Gross receivables	35,150,194	657,688	867,009	1,280,392	37,955,283
Less: allowance	(1,037,676)	-	-	-	(1,037,676)
Net total receivables and due from other governments	\$ 34,112,518	\$ 657,688	\$ 867,009	\$ 1,280,392	\$ 36,917,607

	Business-type Activities			
	Water		Nonmajor	
	Wastewater	Airport	Enterprise Funds	Total
Customer accounts	\$ 22,162,753	\$ 128,121	\$ 2,576,826	\$ 24,867,700
Leases		9,824,644	-	9,824,644
Gross receivables	22,162,753	9,952,765	2,576,826	34,692,344
Less: allowance	(231,653)	-	(35,195)	(266,848)
Net total receivables	\$ 21,931,100	\$ 9,952,765	\$ 2,541,631	\$ 34,425,496
Accrued interest receivable	\$ 822,180	\$ -	\$ 130,055	\$ 952,235

City of McKinney, Texas
Notes to The Financial Statements

The business-type activities accounts receivable includes unbilled charges for services rendered at September 30, 2023. The Water and Wastewater Fund also reported restricted interest receivables at year-end of \$822,180.

At September 30, 2023, 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 will be met by the corporations, the City has elected to expense the advance at the time of transfer. At September 30, 2023, accounts receivable includes \$3,922,161 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, 2023.

At September 30, 2023, accounts receivable include \$3,922,161 representing sales tax owed to MCDC. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2023.

At September 30, 2023, MHFC accounts receivable include \$148,984 for services provided. Receivables as of year-end for MHFC were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2023.

Leases receivable - The City has entered into multiple lease agreements as lessor. The leases allow the right-to-use of land, hangar or office space, sports complexes, and cell sites to other organizations over the term of the lease. The City receives annual or monthly payments at the interest rate stated or implied within the leases. The interest rates for these leases are 4.00%. The City has \$24,596,812 remaining in lease receivables and \$23,612,152 remaining in deferred inflows as of September 30, 2023. MEDC has \$584,016 remaining in lease receivables and \$574,043 remaining in deferred inflows as of September 30, 2023. MCDC has \$194,672 remaining in lease receivables and \$191,348 remaining in deferred inflows as of September 30, 2023.

	Interest Rate	Receivable at Commencement	Lease Term in Years	Ending Balance
General Fund				
Sports complexes	4.00%	\$ 10,249,980	2-19	\$ 9,587,826
Land	4.00%	\$ 411,276	50	412,159
Cell sites	4.00%	5,134,276	10-20	4,772,183
Total governmental activities				\$ 14,772,168
Airport Fund				
Land	4.00%	\$ 2,762,432	20-27	\$ 2,630,333
Hangar or office space	4.00%	9,531,563	3-8	7,194,311
Total business-type activities				\$ 9,824,644
Component Units				
MEDC - Chamber sublease	4.00%	\$ 603,993	10	\$ 584,016
MCDC - Chamber sublease	4.00%	201,331	10	194,672
Total Component Units				\$ 778,688

City of McKinney, Texas
Notes to The Financial Statements

Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 80,640,726	\$ 125,740	\$ -	\$ 14,190,783	\$ 94,957,249
Works of art	1,023,870	30,300	-	-	1,054,170
Construction in progress	159,682,019	112,773,579	(4,428,719)	(106,777,565)	161,249,314
Total capital assets, not being depreciated	241,346,615	112,929,619	(4,428,719)	(92,586,782)	257,260,733
Capital assets being depreciated/amortized:					
Buildings	195,534,743	566,643	(148,658)	50,505,819	246,458,547
Right-to-use lease buildings	2,652,161	-	-	-	2,652,161
SBITA assets	-	1,332,010	-	-	1,332,010
Infrastructure	972,208,904	60,080,642	(251,885)	39,373,960	1,071,411,621
Machinery & equipment	80,969,092	5,064,972	(7,209,437)	2,707,003	81,531,630
Service animals	56,500	-	-	-	56,500
Total capital assets being depreciated/amortize	1,251,421,400	67,044,267	(7,609,980)	92,586,782	1,403,442,469
Less accumulated depreciation/amortization for:					
Buildings	(60,530,294)	(5,123,442)	148,659	-	(65,505,077)
Right-to-use lease buildings	(538,448)	(538,448)	-	-	(1,076,896)
SBITA assets	-	(666,005)	-	-	(666,005)
Infrastructure	(554,645,537)	(38,509,370)	251,884	-	(592,903,023)
Machinery and equipment	(52,972,339)	(6,422,574)	6,722,000	-	(52,672,913)
Service animals	(23,754)	(4,707)	-	-	(28,461)
Total accumulated depreciation/amortization	(668,710,372)	(51,264,546)	7,122,543	-	(712,852,375)
Total capital assets being depreciated/amortized, net	582,711,028	15,779,721	(487,437)	92,586,782	690,590,094
Governmental activities, capital assets, net	\$ 824,057,643	\$ 128,709,340	\$ (4,916,156)	\$ -	\$ 947,850,827
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 53,487,859	\$ -	\$ -	\$ 869,427	\$ 54,357,286
Construction in progress	49,973,796	42,841,637	(4,028,782)	(25,894,043)	62,892,608
Total capital assets, not being depreciated	103,461,655	42,841,637	(4,028,782)	(25,024,616)	117,249,894
Capital assets being depreciated/amortized:					
Buildings	55,053,767	70,771	(20,025)	12,615,605	67,720,118
Infrastructure	665,445,660	53,507,031	(59,995)	11,496,521	730,389,217
Machinery & equipment	19,563,275	2,479,625	(826,827)	912,490	22,128,563
Right-to-use lease machinery & equipment	250,235	-	-	-	250,235
Total capital assets being depreciated/amortize	740,312,937	56,057,427	(906,847)	25,024,616	820,488,133
Less accumulated depreciation/amortization for:					
Buildings	(19,502,815)	(1,943,908)	20,025	-	(21,426,698)
Infrastructure	(180,715,223)	(15,182,685)	59,995	-	(195,837,913)
Machinery and equipment	(12,021,259)	(1,603,656)	826,827	-	(12,798,088)
Right-to-use lease machinery & equipment	(81,157)	(81,157)	-	-	(162,314)
Total accumulated depreciation/amortization	(212,320,454)	(18,811,406)	906,847	-	(230,225,013)
Total capital assets being depreciated/amortized, net	527,992,483	37,246,021	-	25,024,616	590,263,120
Business-type activities, capital assets, net	\$ 631,454,138	\$ 80,087,658	\$ (4,028,782)	\$ -	\$ 707,513,014

City of McKinney, Texas
Notes to The Financial Statements

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

Governmental Activities:	
APEX	\$ 934,909
Development	183,236
Fire	3,130,917
Fleet maintenance	51,084
General government	3,431,771
Libraries	662,105
Parks and recreation	5,585,697
Police	1,959,820
Public works	35,325,007
Total depreciation/amortization expense - governmental activities	\$ 51,264,546
Business-type activities:	
Airport	\$ 4,436,188
Golf Course	54,419
Solid Waste	61,129
Surface Water Drainage	341,468
Water and Wastewater	13,918,202
Total depreciation/amortization expense - business-type activities	18,811,406
Airport	
Amortization of excess cost of consideration	393,068
Total depreciation and amortization - business-type activities	\$ 19,204,474

City of McKinney, Texas
Notes to The Financial Statements

Capital asset activity for discretely presented component units for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets, not being depreciated:					
Land	\$ 66,893,335	\$ -	\$ -	\$ -	\$ 66,893,335
Construction in progress	264,040	-	(264,040)	-	-
Total capital assets, not being depreciated	67,157,375	-	(264,040)	-	66,893,335
Capital assets, being depreciated/amortized:					
Buildings	-	190,561	-	-	190,561
Improvements other than buildings	257,783	-	(2,275)	-	255,508
Machinery and equipment	61,087	273,137	(28,231)	-	305,993
Right-to-use lease assets	-	2,058,211	-	-	2,058,211
Total capital assets being depreciated/amortize	318,870	2,521,909	(30,506)	-	2,810,273
Less accumulated depreciation/amortization for:					
Buildings	-	(20,644)	-	-	(20,644)
Improvements other than buildings	(257,783)	-	2,275	-	(255,508)
Machinery and equipment	(58,619)	(41,879)	28,231	-	(72,267)
Right-to-use lease assets	-	(85,759)	-	-	(85,759)
Total accumulated depreciation/amortization	(316,402)	(148,282)	30,506	-	(434,178)
Total capital assets being depreciated/amortized, net	2,468	2,373,627	-	-	2,376,095
Capital Assets, Net	\$ 67,159,843	\$ 2,373,627	\$ (264,040)	\$ -	\$ 69,269,430
MCDC:					
Capital Assets, not being depreciated:					
Land	\$ 6,279,989	\$ -	\$ -	\$ -	\$ 6,279,989
Construction in progress	6,072,845	10,461,996	-	-	16,534,841
Total capital assets, not being depreciated	12,352,834	10,461,996	-	-	22,814,830
Capital assets, being depreciated/amortized:					
Buildings	-	15,875	-	-	15,875
Infrastructure	206,765	-	-	-	206,765
Right-to-use lease assets	-	686,070	-	-	686,070
Total capital assets being depreciated/amortize	206,765	701,945	-	-	908,710
Less accumulated depreciation/amortization for:					
Buildings	-	(1,720)	-	-	(1,720)
Infrastructure	(104,244)	(10,338)	-	-	(114,582)
Right-to-use lease assets	-	(28,586)	-	-	(28,586)
Total accumulated depreciation/amortization	(104,244)	(40,644)	-	-	(144,888)
Total capital assets being depreciated/amortized, net	102,521	661,301	-	-	763,822
Capital Assets, Net	\$ 12,455,355	\$ 11,123,297	\$ -	\$ -	\$ 23,578,652

City of McKinney, Texas
Notes to The Financial Statements

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCVB:					
Capital assets, being depreciated/amortized:					
Right-to-use lease assets	-	559,199	-	-	559,199
Total capital assets being depreciated/amortized	-	559,199	-	-	559,199
Less accumulated depreciation/amortization for:					
Right-to-use lease assets	-	(54,556)	-	-	(54,556)
Total accumulated depreciation/amortization	-	(54,556)	-	-	(54,556)
Total capital assets being depreciated/amortized, net	-	504,643	-	-	504,643
Capital Assets, Net	\$ -	\$ 504,643	\$ -	\$ -	\$ 504,643

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MMS:					
Capital assets being depreciated:					
Infrastructure	\$ 127,183	\$ -	\$ -	\$ -	\$ 127,183
Machinery & equipment	74,901	-	-	-	74,901
Total capital assets being depreciated	202,084	-	-	-	202,084
Less accumulated depreciation for:					
Infrastructure	(14,772)	(6,359)	-	-	(21,131)
Machinery and equipment	(53,376)	(6,499)	-	-	(59,875)
Total accumulated depreciation	(68,148)	(12,858)	-	-	(81,006)
Total capital assets being depreciated, net	133,936	(12,858)	-	-	121,078
Capital Assets, Net	\$ 133,936	\$ (12,858)	\$ -	\$ -	\$ 121,078

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MHFC:					
Capital assets not being depreciated:					
Land	\$ 3,146,775	\$ 2,324,863	\$ -	\$ -	\$ 5,471,638
Total capital assets, not being depreciated	3,146,775	2,324,863	-	-	5,471,638
Capital Assets	\$ 3,146,775	\$ 2,324,863	\$ -	\$ -	\$ 5,471,638

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2023. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental Activities is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water/Wastewater and Airport commitments are being financed by revenue bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was for expenditures not yet incurred.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	\$ 569,583,089	\$ 298,690,879	\$ 270,892,210
Water and Wastewater	262,570,201	58,484,413	204,085,788
Airport	75,074,433	41,409,436	33,664,997
Total	\$ 907,227,723	\$ 398,584,728	\$ 508,642,995

City of McKinney, Texas
Notes to The Financial Statements

Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2023, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	\$ 431,183	Franchise fee accrual
General Fund	Solid Waste Fund	17,345	License fee accrual
General Fund	Nonmajor Governmental Funds	108,602	To cover cash shortage
Water/Wastewater Fund	Solid Waste Fund	12,922	Sanitation billing accrual
Total		\$ 570,052	

Transfers between funds during the year were as follows:

Transfer Out	Transfers In				Total
	General fund	Capital projects	Nonmajor governmental funds	Nonmajor enterprise funds	
Internal service	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Nonmajor enterprise funds	1,278,086	200,000	-	-	1,478,086
General fund	-	3,760,000	1,524,702	-	5,284,702
Nonmajor governmental funds	373,987	-	-	-	373,987
Water and wastewater	3,988,592	1,700,000	-	106,989	5,795,581
	<u>\$ 7,640,665</u>	<u>\$ 5,660,000</u>	<u>\$ 1,524,702</u>	<u>\$ 106,989</u>	<u>\$ 14,932,356</u>

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 programs.
- 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 \$3,988,592 were made from the water and wastewater fund, \$2,000,000 from the internal service fund, and \$1,278,086 from the nonmajor enterprise funds to the general fund in order to supplement the general fund for monthly general and administrative fees as well as fund the capital equipment replacement fund, held within the general fund.
- Transfers of \$3,760,000 were made from the general fund, and \$1,700,000 from the water and wastewater fund to the capital projects fund for CIP projects.
- Transfer of \$1,524,702 was made from the general fund to the nonmajor governmental funds to support community housing and urban transit district projects.

City of McKinney, Texas
Notes to The Financial Statements

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, 2023, is \$414,323. 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. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028. As of September 30, 2023, the outstanding balance was \$3,019,898.

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	Total Unavailable Revenue	Total Unearned Revenue
Tax revenue	\$ 1,157,851	\$ 522,928	\$ -	\$ 1,680,779	\$ -
Court revenue	195,376	-	-	195,376	-
EMS revenue	1,370,049	-	-	1,370,049	-
Franchise fees	1,200,753	-	-	1,200,753	-
Miscellaneous	875,273	-	3,795,837	-	4,671,110
	<u>\$ 4,799,302</u>	<u>\$ 522,928</u>	<u>\$ 3,795,837</u>	<u>\$ 4,446,957</u>	<u>\$ 4,671,110</u>

City of McKinney, Texas
Notes to The Financial Statements

Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2023, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 336,870,000	\$ 44,795,000	\$ (30,550,000)	\$ 351,115,000	\$ 35,475,000
Certificates of obligation	15,170,000	-	(1,905,000)	13,265,000	1,405,000
	<u>352,040,000</u>	<u>44,795,000</u>	<u>(32,455,000)</u>	<u>364,380,000</u>	<u>36,880,000</u>
Issuance premium	30,391,599	4,729,860	(4,093,305)	31,028,154	3,959,660
	<u>382,431,599</u>	<u>49,524,860</u>	<u>(36,548,305)</u>	<u>395,408,154</u>	<u>40,839,660</u>
Total bonds payable					
Arbitrage liability	-	1,142,661	-	1,142,661	-
Right-to-use lease liability	2,184,331	-	(510,796)	1,673,535	516,509
Subscription liability	-	1,332,010	(652,946)	679,064	679,064
Net pension liability	20,007,811	48,891,835	-	68,899,646	-
Total OPEB liability	21,434,595	-	(5,211,839)	16,222,756	-
Compensated absences	16,679,820	2,159,648	(1,189,069)	17,650,399	1,588,536
	<u>442,738,156</u>	<u>103,051,014</u>	<u>(44,112,955)</u>	<u>501,676,215</u>	<u>43,623,769</u>
Governmental activities - long-term debt					
Business-type activities:					
Bonds payable:					
Water and Wastewater revenue bonds	\$ 210,155,000	\$ 38,330,000	\$ (10,140,000)	\$ 238,345,000	\$ 10,435,000
Issuance premium	25,554,035	4,598,190	(2,796,286)	27,355,939	2,898,720
	<u>235,709,035</u>	<u>42,928,190</u>	<u>(12,936,286)</u>	<u>265,700,939</u>	<u>13,333,720</u>
Total bonds payable					
Arbitrage liability	8,118	1,930,339	-	1,938,457	-
Right-to-use lease liability	172,428	-	(80,976)	91,452	84,276
Net pension liability	2,676,427	6,540,218	-	9,216,645	-
Total OPEB liability	2,448,373	-	(559,906)	1,888,467	-
Compensated absences	1,621,368	344,612	(156,434)	1,809,546	162,859
	<u>242,635,749</u>	<u>51,743,359</u>	<u>(13,733,602)</u>	<u>280,645,506</u>	<u>13,580,855</u>
Business-type activities - long-term debt					

City of McKinney, Texas
Notes to The Financial Statements

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2023 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MEDC:					
Bonds payable					
Sales tax revenue bonds	\$ 20,475,000	\$ -	\$ (2,185,000)	\$ 18,290,000	\$ 2,190,000
Right-to-use lease liability	-	2,058,211	(61,635)	1,996,576	154,267
Net pension liability	218,096	532,947	-	751,043	-
Total OPEB liability	199,512	-	(45,625)	153,887	-
Compensated absences	70,072	131,719	(149,845)	51,946	4,675
Component unit activities					
Long-term debt	\$ 20,962,680	\$ 2,722,877	\$ (2,442,105)	\$ 21,243,452	\$ 2,348,942
MCDC:					
Bonds payable					
Sales tax revenue bonds	\$ 17,295,000	\$ -	\$ (1,085,000)	\$ 16,210,000	\$ 1,115,000
Right-to-use lease liability	-	686,070	(20,545)	665,525	51,422
Net pension liability	55,914	136,634	-	192,548	-
Total OPEB liability	51,150	-	(11,697)	39,453	-
Compensated absences	58,925	-	(462)	58,463	5,262
Component unit activities					
Long-term debt	\$ 17,460,989	\$ 822,704	\$ (1,117,704)	\$ 17,165,989	\$ 1,171,684
MCVB:					
Right-to-use lease liability	\$ -	\$ 559,199	\$ (37,000)	\$ 522,199	\$ 41,463
Net pension liability	85,033	207,791	-	292,824	-
Total OPEB liability	77,788	-	(17,789)	59,999	-
Compensated absences	32,641	8,536	-	41,177	3,706
Component unit activities					
Long-term debt	\$ 195,462	\$ 775,526	\$ (54,789)	\$ 916,199	\$ 45,169

Compensated Absences

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

General Obligation Bonds and Certificates of Obligation

The General Obligation Bonds include \$364,380,000 of Bonds and Certificates of Obligation with interest rates ranging from 1.00% to 7.00% maturing annually in varying amounts through 2053. 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 June 2023, the City issued \$44,795,000 General Obligation Bonds, Series 2023. The debt was issued for various public improvements. The bonds were issued with a premium of \$4,729,860 with interest rates ranging from 4.00% to 7.00% and mature through 2043.

City of McKinney, Texas
Notes to The Financial Statements

Debt service requirements of the general obligation bonds and certificates of obligation bonds for the years subsequent to September 30, 2023, are as follows:

Fiscal Year	General Obligation Bonds			Certificates of Obligation			Total GO and CO Requirements
	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	
2024	\$ 35,475,000	\$ 14,572,291	\$ 50,047,291	\$ 1,405,000	\$ 358,450	\$ 1,763,450	\$ 51,810,741
2025	21,965,000	12,644,669	34,609,669	1,320,000	308,725	1,628,725	36,238,394
2026	18,330,000	11,638,859	29,968,859	1,360,000	268,835	1,628,835	31,597,694
2027	19,245,000	10,817,887	30,062,887	1,405,000	227,355	1,632,355	31,695,242
2028	19,570,000	9,934,112	29,504,112	1,450,000	183,375	1,633,375	31,137,487
2029-2033	96,740,000	36,726,039	133,466,039	2,830,000	571,882	3,401,882	136,867,921
2034-2038	84,565,000	18,164,939	102,729,939	2,560,000	246,115	2,806,115	105,536,054
2039-2043	47,995,000	5,852,764	53,847,764	935,000	28,100	963,100	54,810,864
2044-2048	3,695,000	1,189,294	4,884,294	-	-	-	4,884,294
2049-2053	3,535,000	372,075	3,907,075	-	-	-	3,907,075
	<u>\$ 351,115,000</u>	<u>\$ 121,912,929</u>	<u>\$ 473,027,929</u>	<u>\$ 13,265,000</u>	<u>\$ 2,192,837</u>	<u>\$ 15,457,837</u>	<u>\$ 488,485,766</u>

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 2043 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, 2023.

In June 2023, the City issued \$38,330,000 Waterworks and Sewer System Revenue Bonds, Series 2023. The debt was issued for various water and sewer system improvements. The bonds were issued with a premium of \$4,598,190 with interest rates ranging from 4.00% to 5.00% and mature through 2043.

City of McKinney, Texas
Notes to The Financial Statements

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2023, are as follows:

Fiscal Year	Revenue Bonds		
	Principal Requirements	Interest Requirements	Total Requirements
2024	\$ 10,435,000	\$ 10,458,906	\$ 20,893,906
2025	10,635,000	9,977,819	20,612,819
2026	11,420,000	9,451,094	20,871,094
2027	12,120,000	8,889,069	21,009,069
2028	12,500,000	8,296,319	20,796,319
2029-2033	64,310,000	32,460,525	96,770,525
2034-2038	73,190,000	16,386,234	89,576,234
2039-2043	43,735,000	3,773,550	47,508,550
	<u>\$ 238,345,000</u>	<u>\$ 99,693,516</u>	<u>\$ 338,038,516</u>

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from 0.34% to 4.12%, maturing annually in varying amounts through 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. MDCDC 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, 2023.

City of McKinney, Texas
Notes to The Financial Statements

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2023, are as follows:

Sales Tax Revenue Bonds			
MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2024	\$ 2,190,000	\$ 276,353	\$ 2,466,353
2025	2,205,000	261,680	2,466,680
2026	2,230,000	238,527	2,468,527
2027	2,255,000	211,767	2,466,767
2028	2,290,000	178,393	2,468,393
2029-2031	7,120,000	288,664	7,408,664
	<u>\$ 18,290,000</u>	<u>\$ 1,455,384</u>	<u>\$ 19,745,384</u>

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2024	\$ 1,115,000	\$ 605,436	\$ 1,720,436
2025	1,145,000	572,867	1,717,867
2026	1,180,000	537,589	1,717,589
2027	1,220,000	498,873	1,718,873
2028	1,260,000	457,015	1,717,015
2029-2033	7,055,000	1,545,161	8,600,161
2034-2035	3,235,000	201,409	3,436,409
	<u>\$ 16,210,000</u>	<u>\$ 4,418,350</u>	<u>\$ 20,628,350</u>

Conduit Debt

The McKinney Housing Finance Corporation (MHFC) issued conduit debt for purposes of low income housing development in the City of McKinney. Neither the City nor the MHFC has any obligation for such debt beyond the resources provided by a lease or loan with the third party. As of September 30, 2023, the aggregate outstanding conduit debt is \$102,242,536.

Right-to-Use Lease Liability

The City has entered into multiple lease agreements as lessee. The leases allow the right-to-use property and vehicles over the term of the lease. The City is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases.

City of McKinney, Texas
Notes to The Financial Statements

The lease rate, term and ending lease liability are as follows:

	Interest Rate	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental activities				
Leased office space	4.00%	\$ 2,652,161	3.0-10.0	\$ 1,673,535
Total governmental activities				<u>\$ 1,673,535</u>
Business-type activities				
Vehicles	4.00%	\$ 250,235	3.0	\$ 91,452
Total business-type activities				<u>\$ 91,452</u>
Component units				
Leased office space	4.00%	\$ 3,303,480	10.0	\$ 3,184,300
Total component units				<u>\$ 3,184,300</u>

The future principal and interest lease payments as of fiscal year end are as follows:

Fiscal Year Ending	Principal	Interest	Total
2024	\$ 516,509	\$ 57,254	\$ 573,763
2025	445,423	38,077	483,500
2026	381,683	21,517	403,200
2027	329,920	6,079	335,999
Total governmental activities	<u>\$ 1,673,535</u>	<u>\$ 122,927</u>	<u>\$ 1,796,462</u>
Fiscal Year Ending	Principal	Interest	Total
2024	\$ 84,276	\$ 2,124	\$ 86,400
2025	7,176	25	7,201
Total business-type activities	<u>\$ 91,452</u>	<u>\$ 2,149</u>	<u>\$ 93,601</u>
Fiscal Year Ending	Principal	Interest	Total
2024	\$ 247,152	\$ 122,906	\$ 370,058
2025	263,990	112,713	376,703
2026	286,074	101,774	387,848
2027	306,050	89,945	395,995
2028	325,287	77,353	402,640
Thereafter	1,755,747	168,992	1,924,739
Total component units	<u>\$ 3,184,300</u>	<u>\$ 673,683</u>	<u>\$ 3,857,983</u>

City of McKinney, Texas
Notes to The Financial Statements

The value of the right-to-use assets for governmental activities as of the end of the current fiscal year was \$2,652,161 and had accumulated amortization of \$1,076,896. For business-type activities, the value of the right-to-use assets as of the end of the current fiscal year was \$250,235 and had accumulated amortization of \$162,314. For component units, the value of the right-to-use assets as of the end of the current fiscal year was \$3,303,480 and had accumulated amortization of \$168,901.

Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	Liability at Commencement	SBITA Term in Years	Ending Balance
Governmental activities				
Software	4.00%	\$ 1,332,010	2	\$ 679,064
Total governmental activities				\$ 679,064

The future principal and interest SBITA payments as of fiscal year end are as follows:

Fiscal Year Ending	Principal	Interest	Total
2024	\$ 679,064	\$ 27,163	\$ 706,227
Total governmental activities	\$ 679,064	\$ 27,163	\$ 706,227

The value of the subscription assets as of the end of the current fiscal year was \$1,332,010 and had accumulated amortization of \$666,005.

City of McKinney, Texas
Notes to The Financial Statements

Restricted Assets

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

Purpose	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Utility Capital Projects Fund	\$ 206,261,758	\$ 416,285	\$ 206,678,043
Utility Development Impact Fee	7,197,129	-	7,197,129
Revenue Debt Service Fund	11,254,818	-	11,254,818
Revenue Bond Reserve Fund	16,413,157	104,153	16,517,310
Airport Funds:			
Airport Construction Fund	37,512,650	-	37,512,650
Golf Course Fund	10,000	-	10,000
	<u>\$ 278,649,512</u>	<u>\$ 520,438</u>	<u>\$ 279,169,950</u>

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2023, 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.

Note 4. Deferred Compensation Plan

Revenue Code Section 457. One plan is administered by Mission Square Retirement and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

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

City of McKinney, Texas
Notes to The Financial Statements

Note 5. Pension Plan

Plan Description

The City and three of its component units participate as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions 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 at age 60 and above	20 years at any age, 5 years
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms:

At the December 31, 2022, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	431
Inactive employees entitled to but not yet receiving benefits	668
Active employees	1,250
	2,349
	2,349

City of McKinney, Texas

Notes to The Financial Statements

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.09% and 15.02% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$16,779,578, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

City of McKinney, Texas
 Notes to The Financial Statements

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35%	7.70%
Core fixed income	6%	4.90%
Non-core fixed income	20%	8.70%
Other public and private markets	12%	8.10%
Real estate	12%	5.80%
Hedge funds	5%	6.90%
Private equity	10%	11.80%
	100%	

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 Member and employer contributions will be made at the rates specified in 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 active and inactive 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.

City of McKinney, Texas
Notes to The Financial Statements

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 October 1, 2022	\$ 401,063,531	\$ 378,020,250	\$ 23,043,281
Changes for the year:			
Service cost	19,102,909	-	19,102,909
Interest on total pension liability	27,329,045	-	27,329,045
Effect of difference in expected and actual experience	5,059,425	-	5,059,425
Change in assumptions	-	-	-
Benefit payments	(11,480,499)	(11,480,499)	-
Administrative expenses	-	(238,783)	238,783
Member contributions	-	7,250,488	(7,250,488)
Net investment income	-	(27,657,786)	27,657,786
Employer contributions	-	15,543,097	(15,543,097)
Other	-	284,938	(284,938)
Balances as of September 30, 2023	<u>\$ 441,074,411</u>	<u>\$ 361,721,705</u>	<u>\$ 79,352,706</u>
City	<u>\$ 434,195,137</u>	<u>\$ 356,078,846</u>	<u>\$ 78,116,291</u>
Component Units	<u>\$ 6,879,274</u>	<u>\$ 5,642,859</u>	<u>\$ 1,236,415</u>

*For TMRS, the "changes in current period benefits" includes substantively automatic benefit status changes, if applicable.

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City'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	\$ 147,295,649	\$ 78,116,291	\$ 21,932,472
Component unit's net pension liability:			
MEDC	1,416,163	751,043	210,868
MCDC	363,068	192,548	54,061
MCVB	552,147	292,824	82,215

City of McKinney, Texas
Notes to The Financial Statements

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

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

For the year ended September 30, 2023, the City and its component units recognized pension expense of \$22,360,264 and \$353,916, respectively.

At September 30, 2023, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,794,700	\$ (162,237)	\$ 84,556	\$ (1,560)
Changes in assumptions	422,174	-	4,059	-
Differences between projected and actual investment earnings	24,627,033	-	236,775	-
Contributions subsequent to the measurement date	12,777,430	-	122,848	-
Total	\$ 46,621,337	\$ (162,237)	\$ 448,238	\$ (1,560)
	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,678	\$ (400)	\$ 32,967	\$ (608)
Changes in assumptions	1,041	-	1,583	-
Differences between projected and actual investment earnings	60,703	-	92,316	-
Contributions subsequent to the measurement date	31,495	-	47,897	-
Total	\$ 114,917	\$ (400)	\$ 174,763	\$ (608)

\$12,777,430 and \$202,240 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2023.

City of McKinney, Texas
Notes to The Financial Statements

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
2024	\$ 4,128,548	\$ 39,694	\$ 10,176	\$ 15,475
2025	8,221,472	79,045	20,265	30,819
2026	8,543,954	82,145	21,060	32,028
2027	12,042,943	115,786	29,685	45,144
2028	744,753	7,160	1,836	2,792
Thereafter	-	-	-	-
Total	\$ 33,681,670	\$ 323,830	\$ 83,022	\$ 126,258

Note 6. Postemployment Benefits Other Than Pensions

Retiree Health Care Plan

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.

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.

As of December 31, 2022, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	20
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	1,199
Total	1,219

City of McKinney, Texas
Notes to The Financial Statements

Accounting Policy

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Funding Policies

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. OPEB expense as actuarially determined for the City and its component units was \$1,716,121 and \$27,163 respectively.

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

CITYCARE PPO		CITYCARE PLUS PPO	
Single Coverage	\$ 779	Single Coverage	\$ 860
Single + Spouse	1,618	Single + Spouse	1,903
Single + Children	1,430	Single + Children	1,669
Single + Family	2,129	Single + Family	2,486

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2022, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	4.05% as of December 31, 2022
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumption	Based on the experience study covering the four-year period ending December 31, 2018, as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.
Participation Rates	0% for employees retiring before the age of 50; 15% for employees retiring between the ages of 50 and 55; 50% for employees retiring at the age of 55 or older, or through disability retirement at any age
Other Information	The discount rate changed from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022. Additionally, the period of service used for the allocation of service costs was changed to only reflect service with the City of McKinney.

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 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.

City of McKinney, Texas
Notes to The Financial Statements

Total OPEB Liability

The total OPEB liability of \$16,005,837 (City) and \$253,339 (Component Units) was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2022.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2023:

Balance as of October 1, 2022	\$ 21,079,791
Changes for the year:	
Service cost	2,208,833
Interest on total OPEB liability	405,843
Difference between expected and actual experience of the total OPEB liability	(4,506,657)
Change of assumptions	(2,673,563)
Benefit payments	(255,071)
	<hr/>
Balance as of September 30, 2023	<u>\$ 16,259,176</u>
City	<u>\$ 16,005,837</u>
Component Units	<u>\$ 253,339</u>

City of McKinney, Texas
Notes to The Financial Statements

Although not considered contributions under GASB 75, the City has assigned \$13,131,483 of fund balance in the General Fund for funding of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2023, the City and its component units recognized OPEB expense of \$1,743,284. At September 30, 2023, the City and its component units reported deferred outflows of resources related to OPEBs from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,259	\$ (6,673,559)	\$ 1,502	\$ (64,162)
Changes in assumptions	2,680,837	(4,577,898)	25,775	(44,014)
Contributions subsequent to the measurement date	67,376	-	648	-
Total	\$ 2,904,472	\$ (11,251,457)	\$ 27,925	\$ (108,176)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 385	\$ (16,450)	\$ 586	\$ (25,016)
Changes in assumptions	6,608	(11,284)	10,049	(17,161)
Contributions subsequent to the measurement date	167	-	253	-
Total	\$ 7,160	\$ (27,734)	\$ 10,888	\$ (42,177)

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of \$67,376 and \$1,068 will be recognized as a reduction of the total OPEB liability of the City and its component units, respectively, for the year ending September 30, 2024.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2024	\$ (857,815)	\$ (8,247)	\$ (2,114)	\$ (3,216)
2025	(857,815)	(8,247)	(2,114)	(3,216)
2026	(857,815)	(8,247)	(2,114)	(3,216)
2027	(857,815)	(8,247)	(2,114)	(3,216)
2028	(876,945)	(8,431)	(2,162)	(3,287)
Thereafter	(4,106,156)	(39,480)	(10,123)	(15,391)
Total	\$ (8,414,361)	\$ (80,899)	\$ (20,741)	\$ (31,542)

City of McKinney, Texas
Notes to The Financial Statements

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City and its component units, calculated using the discount rate of 4.05%, as well as what the City and its component unit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current discount rate:

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City's total OPEB liability	\$ 17,651,098	\$ 16,005,837	\$ 14,520,899
Component unit's total OPEB liability:			
MEDC	169,705	153,887	139,610
MCDC	43,508	39,453	35,792
MCVB	66,166	59,999	54,432

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City and its component units, as well as what the City and its component unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
City's total OPEB liability	\$ 14,018,847	\$ 16,005,837	\$ 18,372,822
Component unit's total OPEB liability:			
MEDC	134,783	153,887	176,644
MCDC	34,555	39,453	45,287
MCVB	52,551	59,999	68,872

Supplemental Death Benefit Plan

Plan Description

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) 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.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

City of McKinney, Texas
Notes to The Financial Statements

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

As of December 31, 2022, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	300
Terminated employees eligible for benefits, but not yet enrolled	153
Active employees	1,250
Total	1,703

Accounting Policy

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2022, actuarial valuation are as follows:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	4.05% as of December 31, 2022 Source: Fidelity Index's "20-Year Municipal GO AA Index"
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Total OPEB Liability

The City's total OPEB liability of \$2,105,386 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

City of McKinney, Texas
Notes to The Financial Statements

The total OPEB liability and related information are as follows for the City at September 30, 2023:

Balance as of October 1, 2022	\$ 3,131,627
Changes for the year:	
Service cost	248,359
Interest on total OPEB liability	59,621
Difference between expected and actual experience of the total OPEB liability	(57,515)
Change of assumptions	(1,245,660)
Benefit payments	(31,046)
	<hr/>
Balance as of September 30, 2023	\$ 2,105,386
	<hr/> <hr/>

OPEB Expense and Deferred and Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$229,827.

At September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 121,019	\$ (345,674)
Changes in assumptions	605,455	(1,145,691)
Contributions subsequent to the measurement date	180,631	-
	<hr/>	<hr/>
Total	\$ 907,105	\$ (1,491,365)
	<hr/> <hr/>	<hr/> <hr/>

Benefit payments subsequent to the measurement date and before fiscal year-end of \$180,631 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	
<hr/>	
2024	\$ (78,153)
2025	(78,153)
2026	(91,518)
2027	(110,455)
2028	(115,509)
Thereafter	(291,103)
	<hr/>
Total	\$ (764,891)
	<hr/> <hr/>

City of McKinney, Texas
Notes to The Financial Statements

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current discount rate:

	1% Decrease in Discount Rate <u>(3.05%)</u>	Current Discount Rate <u>(4.05%)</u>	1% Increase in Discount Rate <u>(5.05%)</u>
Total OPEB liability	\$ 2,576,869	\$ 2,105,386	\$ 1,743,273

Note 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 and does not have any limitations or restrictions on withdrawals.

City of McKinney, Texas
Notes to The Financial Statements

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, 2023:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>PRIMARY GOVERNMENT</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 253,925,126	\$ -	\$ 253,925,126	\$ -
Total Investments by Fair Value Level	<u>\$ 253,925,126</u>	<u>\$ -</u>	<u>\$ 253,925,126</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
LOGIC	182,915,932			
TexasDAILY	142,289,625			
TexasTerm	20,000,000			
TexasCLASS	113,504,294			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	<u>93,336,760</u>			
Total Investments	<u>\$ 805,971,737</u>			
<u>MEDC</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 20,538,420	\$ -	\$ 20,538,420	\$ -
Total Investments by Fair Value Level	<u>\$ 20,538,420</u>	<u>\$ -</u>	<u>\$ 20,538,420</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
LOGIC	\$ 1,504,981			
TexasDAILY	1,015,986			
TexasCLASS	510,579			
Investments Measured at Amortized Cost				
TexPool Prime	<u>1,299,556</u>			
Total Investments	<u>\$ 24,869,522</u>			
<u>MCDC</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 58,558,460	\$ -	\$ 58,558,460	\$ -
Total Investments by Fair Value Level	<u>\$ 58,558,460</u>	<u>\$ -</u>	<u>\$ 58,558,460</u>	<u>\$ -</u>
Investments Measured at Net Asset Value				
LOGIC	\$ -			
TexasDAILY	186,915			
TexasCLASS	2,000,000			
Investments Measured at Amortized Cost				
TexPool Prime	<u>2,506,840</u>			
Total Investments	<u>\$ 63,252,215</u>			

City of McKinney, Texas

Notes to The Financial Statements

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 in the fair value measurement table 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, 2023, no investments held by the City met the Level 3 hierarchy classification.

Note 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, 2023, were \$41,394,069.

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, 2023, was \$27,186,947.

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, 2023, was \$5,764,515.

Note 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.

Note 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.

City of McKinney, Texas
Notes to The Financial Statements

Outstanding principal balances as of September 30, 2023, are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	\$ 2,442,330,000	\$ 298,038,583
Wastewater System	1,184,575,000	228,621,760
Solid Waste System	75,310,000	17,079,229
Total	\$ 3,702,215,000	\$ 543,739,572

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

Note 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 (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 \$200,000. The City utilizes Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2023, the City and the City's employees' contributions paid under the Plan were \$19,310,392 and \$3,224,608 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 \$25,000 per accident, with an annual aggregate retention of \$500,000. During 2023, the City contributed \$1,945,479 for workers' compensation coverage.

The City maintains deductibles of \$100,000 per occurrence for Error and Omissions, \$50,000 per occurrence for Auto Liability, \$50,000 per occurrence for Law Enforcement Liability and up to \$25,000 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 Chubb Limited with a \$10,000 deductible. During 2023, the City contributed \$2,386,815 for property, general liability and all other coverage premiums.

City of McKinney, Texas
Notes to The Financial Statements

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 and are included in accounts payable.

The changes in the Insurance and Risk Management liability amount in fiscal 2023 and 2022 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2023:				
Health Claims	\$ 780,437	\$ 19,774,468	\$ (19,786,125)	\$ 768,780
Workers' Comp	47,155	1,351,640	(1,290,268)	108,527
Totals	\$ 827,592	\$ 21,126,108	\$ (21,076,393)	\$ 877,307
2022:				
Health Claims	\$ 873,764	\$ 17,811,815	\$ (17,905,142)	\$ 780,437
Workers' Comp	292,997	1,008,080	(1,253,922)	47,155
Totals	\$ 1,166,761	\$ 18,819,895	\$ (19,159,064)	\$ 827,592

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.

Note 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, 2023, the City paid \$1,149,514 in economic development grants under Chapter 380. This amount is reported in aggregate due to sales tax confidentiality requirements under Texas Tax Code. No tax abatements were made under Chapter 312.

Note 13. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2023, and through February 14, 2024, the date the financial statements were issued.

On November 14, 2023, the City issued \$24,260,000 Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2023, \$14,035,000 General Obligation Bonds, Series 2023A, and \$29,910,000 General Obligation Bonds, Taxable Series 2023B.



Required Supplementary Information

City of McKinney, Texas

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

Last Nine Fiscal Years

(Unaudited)

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total Pension Liability				
Service cost	\$ 9,534,719	\$ 11,440,134	\$ 11,777,430	\$ 13,043,869
Interest	13,426,027	14,599,379	15,547,224	17,075,327
Difference between expected and actual experience	(1,820,025)	1,730,171	1,237,911	1,529,198
Change in assumptions	-	(4,050)	-	-
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)
Net Change in Total Pension Liability	16,527,934	21,715,972	22,277,033	24,819,488
Total Pension Liability - Beginning	189,339,391	205,867,325	227,583,297	249,860,330
Total Pension Liability - Ending (a)	205,867,325	227,583,297	249,860,330	274,679,818
Plan Fiduciary Net Position				
Contributions - employer	8,510,170	9,752,849	9,615,410	10,718,106
Contributions - employee	3,855,271	4,348,528	4,433,984	4,903,710
Net investment income (loss)	9,074,467	258,721	12,404,196	28,219,049
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)
Administrative expense	(94,724)	(157,574)	(140,032)	(146,159)
Other	(7,788)	(7,782)	(7,545)	(7,407)
Net Change in Plan Fiduciary Net Position	16,724,609	8,145,080	20,020,481	36,858,393
Plan Fiduciary Net Position - Beginning	158,597,927	175,322,536	183,467,616	203,488,097
Plan Fiduciary Net Position - Ending (b)	175,322,536	183,467,616	203,488,097	240,346,490
City's Net Pension Liability - Ending (a) - (b)	\$ 30,544,789	\$ 44,115,681	\$ 46,372,233	\$ 34,333,328
Plan fiduciary net position as a percentage of total pension liability	85.16%	80.62%	81.44%	87.50%
Covered payroll	\$ 54,810,138	\$ 61,939,002	\$ 63,285,492	\$ 70,053,001
City's net pension liability as a percentage of covered payroll	55.73%	71.22%	73.27%	49.01%

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.

Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021	Measurement Year 2022
\$ 14,350,469	\$ 15,704,599	\$ 16,656,052	\$ 17,714,277	\$ 19,102,909
18,774,911	20,486,802	22,594,939	24,867,759	27,329,045
(714,145)	1,546,692	2,843,789	3,790,250	5,059,425
-	1,126,181	-	-	-
(7,416,454)	(8,037,441)	(8,179,253)	(9,725,714)	(11,480,499)
24,994,781	30,826,833	33,915,527	36,646,572	40,010,880
274,679,818	299,674,599	330,501,432	364,416,959	401,063,531
299,674,599	330,501,432	364,416,959	401,063,531	441,074,411
11,908,337	12,785,966	13,429,396	14,320,460	15,543,097
5,426,974	5,939,071	6,309,111	6,714,214	7,250,488
(7,206,568)	37,605,557	22,121,978	42,386,014	(27,657,786)
(7,416,454)	(8,037,441)	(8,179,253)	(9,725,714)	(11,480,499)
(139,143)	(212,196)	(142,924)	(195,747)	(238,783)
(7,270)	(6,374)	(5,577)	1,343	284,938
2,565,876	48,074,583	33,532,731	53,500,570	(16,298,545)
240,346,490	242,912,366	290,986,949	324,519,680	378,020,250
242,912,366	290,986,949	324,519,680	378,020,250	361,721,705
<u>\$ 56,762,233</u>	<u>\$ 39,514,483</u>	<u>\$ 39,897,279</u>	<u>\$ 23,043,281</u>	<u>\$ 79,352,706</u>
81.06%	88.04%	89.05%	94.25%	82.01%
\$ 77,528,194	\$ 84,843,863	\$ 90,130,150	\$ 95,856,479	\$ 103,482,712
73.21%	46.57%	44.27%	24.04%	76.68%

City of McKinney, Texas
 Required Supplementary Information
 Texas Municipal Retirement System
 Schedule of Contributions
 Last Nine Fiscal Years
 (Unaudited)

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2018</u>
Actuarially determined contribution	\$ 9,195,319	\$ 9,521,438	\$ 10,387,413	\$ 11,618,161
Contribution in relation of the actuarially determined contribution	<u>9,195,319</u>	<u>9,521,438</u>	<u>10,387,413</u>	<u>11,618,161</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 58,299,396	\$ 62,005,210	\$ 68,046,988	\$ 75,718,876
Contributions as a percentage of covered payroll	15.77%	15.36%	15.27%	15.34%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 13 months 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	23 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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.

Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
\$ 12,527,597	\$ 13,332,675	\$ 14,075,241	\$ 15,799,958	\$ 16,779,578
<u>12,527,597</u>	<u>13,332,675</u>	<u>14,075,241</u>	<u>15,799,958</u>	<u>16,779,578</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 82,701,398	\$ 89,202,852	\$ 94,326,249	\$ 105,355,485	\$ 111,867,406
15.15%	14.95%	14.92%	15.00%	15.00%

City of McKinney, Texas

Required Supplementary Information

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Retiree Health Care Plan

Last Six Fiscal Years

(Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB Liability				
Service cost	\$ 918,051	\$ 1,249,905	\$ 1,207,676	\$ 1,578,300
Interest	564,874	561,769	704,301	621,546
Difference between expected and actual experience	3,299	300,000	(162,427)	(3,473,801)
Change in assumptions	797,890	156,041	1,823,548	1,627,140
Benefit payments, including refunds of employee contributions	(294,321)	(314,218)	(155,032)	(126,165)
Net Change in Total OPEB Liability	1,989,793	1,953,497	3,418,066	227,020
Total OPEB Liability - Beginning	14,514,234	16,504,027	18,457,524	21,875,590
Total OPEB Liability - Ending (a)	<u>\$ 16,504,027</u>	<u>\$ 18,457,524</u>	<u>\$ 21,875,590</u>	<u>\$ 22,102,610</u>
Covered-employee payroll	\$ 70,052,975	\$ 77,528,194	\$ 84,843,863	\$ 90,130,150
Total OPEB liability as a percentage of covered-employee payroll	23.56%	23.81%	25.78%	24.52%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB 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 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

Measurement Year 2021	Measurement Year 2022
\$ 1,580,655	\$ 2,208,833
456,490	405,843
(160,003)	(4,506,657)
(2,763,042)	(2,673,563)
(136,919)	(255,071)
(1,022,819)	(4,820,615)
22,102,610	21,079,791
<u>\$ 21,079,791</u>	<u>\$ 16,259,176</u>
\$ 95,856,479	\$ 103,482,712
21.99%	15.71%

City of McKinney, Texas

Required Supplementary Information

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Supplemental Death Benefit Fund

Last Six Fiscal Years

(Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB Liability				
Service cost	\$ 112,085	\$ 139,551	\$ 127,264	\$ 171,248
Interest	54,057	58,290	77,959	63,577
Difference between expected and actual experience	-	304,379	(414,160)	(64,601)
Change in assumptions	158,454	(147,679)	406,260	421,861
Benefit payments, including refunds of employee contributions	(7,005)	(7,751)	(8,484)	(9,014)
Net Change in Total OPEB Liability	317,591	346,790	188,839	583,071
Total OPEB Liability - Beginning	1,377,543	1,695,134	2,041,924	2,230,763
Total OPEB Liability - Ending (a)	<u>\$ 1,695,134</u>	<u>\$ 2,041,924</u>	<u>\$ 2,230,763</u>	<u>\$ 2,813,834</u>
 Covered-employee payroll	 \$ 70,053,001	 \$ 77,528,194	 \$ 84,843,863	 \$ 90,130,150
 Total OPEB liability as a percentage of covered-employee payroll	 2.42%	 2.63%	 2.63%	 3.12%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB 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 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to

Measurement Year 2021	Measurement Year 2022
\$ 230,056	\$ 248,359
58,290	59,620
(51,571)	(57,515)
109,775	(1,245,660)
(28,757)	(31,045)
317,793	(1,026,241)
2,813,834	3,131,627
<u>\$ 3,131,627</u>	<u>\$ 2,105,386</u>
\$ 95,856,479	\$ 95,856,479
3.27%	2.03%



Combining and Individual Fund Financial Statements and Schedules

City of McKinney, Texas

Budgetary Comparison Schedule (GAAP Basis)

Debt Service Fund

For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - (Negative)
REVENUES				
Property taxes	\$ 45,756,323	\$ 45,756,323	\$ 46,569,875	\$ 813,552
Investment income	775,000	1,304,700	1,405,685	(100,985)
Total revenues	46,531,323	47,061,023	47,975,560	712,567
EXPENDITURES				
Principal retirement	32,455,000	32,455,000	32,455,000	-
Interest and fiscal charges	13,919,448	13,919,448	13,742,123	177,325
Total expenditures	46,374,448	46,374,448	46,197,123	177,325
Excess (deficiency) of revenues over (under) expenditures	156,875	686,575	1,778,437	889,892
Net changes in fund balances	156,875	686,575	1,778,437	1,091,862
Fund balances, beginning of year	6,909,083	6,909,083	6,909,083	-
FUND BALANCES, END OF YEAR	\$ 7,065,958	\$ 7,595,658	\$ 8,687,520	\$ 1,091,862

City of McKinney, Texas

Budgetary Comparison Schedule (GAAP Basis)

Capital Projects Fund

For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental	\$ 18,020,000	\$ 31,447,235	\$ 26,379,153	\$ (5,068,082)
Investment income	6,258,000	9,391,278	11,882,932	2,491,654
Contributions	16,321,320	28,495,057	32,666,912	4,171,855
Total revenues	40,599,320	69,333,570	70,928,997	1,595,427
EXPENDITURES				
General government	38,062,645	132,889,996	43,253,471	89,636,525
Fire	33,350,000	31,983,809	1,617,669	30,366,140
Parks and recreation	9,395,320	72,525,187	28,963,860	43,561,327
Public works	35,405,164	152,026,177	40,256,891	111,769,286
Interest and fiscal charges	676,628	492,292	277,788	214,504
Total expenditures	116,889,757	389,917,461	114,369,679	275,547,782
Excess/(deficiency) of revenues over (under) expenditures	(76,290,437)	(320,583,891)	(43,440,682)	277,143,209
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	84,175,000	49,225,000	44,794,999	(4,430,001)
Premium on issuance of debt	-	-	4,729,860	4,729,860
Transfers in	11,724,000	63,665,340	5,660,000	(58,005,340)
Total other financing sources (uses)	95,899,000	112,890,340	55,184,859	(57,705,481)
Net changes in fund balances	19,608,563	(207,693,551)	11,744,177	219,437,728
Fund balances, beginning of year	244,162,529	244,162,529	244,162,529	-
FUND BALANCES, END OF YEAR	\$ 263,771,092	\$ 36,468,978	\$ 255,906,706	\$ 219,437,728



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 for the specific purpose(s) designated by the donor.

Community Housing Fund - to account for grants and funding received for affordable housing programs.

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.

Grants Fund - to account for local, state, federal, and private grants received for governmental operations and projects.

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 in and around 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.

City of McKinney, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023

	Special Revenue Funds			
	Hotel/Motel	Law Enforcement	Donations	Community Housing
ASSETS				
Cash and cash equivalents	\$ 6,814,344	\$ 916,607	\$ 48,109	\$ 1,447,303
Receivables:				
Accounts	1,988	-	-	-
Other taxes	266,356	-	-	-
Due from other governments	-	-	-	144,097
Prepaid items	-	-	-	20,081
TOTAL ASSETS	\$ 7,082,688	\$ 916,607	\$ 48,109	\$ 1,611,481
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 24,081
Other accrued liabilities	-	67,576	-	4,906
Due to other funds	-	-	-	37,594
Total liabilities	-	67,576	-	66,581
FUND BALANCES				
Nonspendable				
Prepaid items	-	-	-	20,081
Restricted				
Capital projects	-	-	-	-
Law enforcement	-	849,031	-	-
Fire	-	-	48,109	-
PEG	-	-	-	-
Community housing	-	-	-	1,524,819
Hotel/Motel	7,082,688	-	-	-
Transit	-	-	-	-
Grants	-	-	-	-
Total fund balances	7,082,688	849,031	48,109	1,544,900
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,082,688	\$ 916,607	\$ 48,109	\$ 1,611,481

Special Revenue Funds

Urban Transit District	Grants	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
\$ 176,511	\$ -	\$ 32,392,268	\$ 7,748,535	\$ 1,937,178	\$ 51,480,855
-	-	8,250	3,747	-	13,985
-	-	-	-	56,283	322,639
626,045	173,626	-	-	-	943,768
-	4,201	-	-	-	24,282
\$ 802,556	\$ 177,827	\$ 32,400,518	\$ 7,752,282	\$ 1,993,461	\$ 52,785,529
\$ 490,847	\$ 82,389	\$ -	\$ -	\$ -	\$ 597,317
3,070	-	-	-	-	75,552
-	71,008	-	-	-	108,602
493,917	153,397	-	-	-	781,471
-	4,201	-	-	-	24,282
-	-	32,400,518	7,752,282	-	40,152,800
-	-	-	-	-	849,031
-	-	-	-	-	48,109
-	-	-	-	1,993,461	1,993,461
-	-	-	-	-	1,524,819
-	-	-	-	-	7,082,688
308,639	-	-	-	-	308,639
-	20,229	-	-	-	20,229
308,639	24,430	32,400,518	7,752,282	1,993,461	52,004,058
\$ 802,556	\$ 177,827	\$ 32,400,518	\$ 7,752,282	\$ 1,993,461	\$ 52,785,529

City of McKinney, Texas

Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance- Nonmajor Governmental Funds
 For the Year Ended September 30, 2023

	Special Revenue			
	Hotel/Motel	Law Enforcement	Donations	Community Housing
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	2,960,516	-	-	-
Other taxes and fees	-	-	-	-
Intergovernmental	-	-	-	1,509,835
Fines and forfeitures	-	312,255	-	-
Investment income (loss)	280,090	3,437	1,141	-
Contributions	-	35,210	2,412	-
Miscellaneous	9,328	-	-	-
Total revenues	3,249,934	350,902	3,553	1,509,835
EXPENDITURES				
Current:				
General government	1,453,626	-	-	172,794
Police	-	35,934	-	-
Fire	-	-	3,309	-
Development	-	-	-	1,335,990
Debt Service:				
Interest and fiscal charges	-	-	-	-
Capital Expenditures:				
General government	-	-	-	-
Police	-	13,369	-	-
Fire	-	-	-	-
Total expenditures	1,453,626	49,303	3,309	1,508,784
Excess (deficiency) of revenues over (under) expenditures	1,796,308	301,599	244	1,051
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,500,000
Transfers out	(300,439)	-	-	-
Total other financing sources (uses)	(300,439)	-	-	1,500,000
Net change in fund balances	1,495,869	301,599	244	1,501,051
Fund balances, beginning of year	5,586,819	547,432	47,865	43,849
FUND BALANCES, END OF YEAR	\$ 7,082,688	\$ 849,031	\$ 48,109	\$ 1,544,900

Special Revenue

Urban Transit District	Grants	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,591,202	\$ 1,165,687	\$ -	\$ 3,756,889
-	-	2,722,368	1,445,469	-	7,128,353
-	-	-	-	243,174	243,174
2,317,498	723,121	-	-	-	4,550,454
-	-	-	-	-	312,255
2,425	-	1,314,959	237,105	83,432	1,922,589
-	-	10,680	-	-	48,302
250	-	-	-	-	9,578
2,320,173	723,121	6,639,209	2,848,261	326,606	17,971,594
2,214,348	11,420	534,975	-	3,000	4,390,163
-	116,707	-	-	-	152,641
-	123,741	-	-	-	127,050
-	227,200	-	-	-	1,563,190
-	-	675,760	-	-	675,760
126,597	-	-	-	-	126,597
-	129,184	-	-	-	142,553
-	111,538	-	-	-	111,538
2,340,945	719,790	1,210,735	-	3,000	7,289,492
(20,772)	3,331	5,428,474	2,848,261	323,606	10,682,102
24,702	-	-	-	-	1,524,702
-	-	(38,329)	(35,219)	-	(373,987)
24,702	-	(38,329)	(35,219)	-	1,150,715
3,930	3,331	5,390,145	2,813,042	323,606	11,832,817
304,709	21,099	27,010,373	4,939,240	1,669,855	40,171,241
\$ 308,639	\$ 24,430	\$ 32,400,518	\$ 7,752,282	\$ 1,993,461	\$ 52,004,058

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Hotel/Motel Fund
 For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Sales and use taxes	\$ 2,100,000	\$ 2,600,000	\$ 2,960,516	\$ 360,516
Investment income (loss)	80,000	304,800	280,090	(24,710)
Miscellaneous	2,000	2,000	9,328	7,328
Total revenues	2,182,000	2,906,800	3,249,934	343,134
EXPENDITURES				
General government	1,496,000	1,546,000	1,453,626	92,374
Total expenditures	1,496,000	1,546,000	1,453,626	92,374
Excess (deficiency) of revenues over (under) expenditures	686,000	1,360,800	1,796,308	435,508
OTHER FINANCING SOURCES (USES)				
Transfers out	(307,806)	(307,806)	(300,439)	7,367
Total other financing sources (uses)	(307,806)	(307,806)	(300,439)	7,367
Net change in fund balance	378,194	1,052,994	1,495,869	442,875
Fund balance, beginning of year	5,586,819	5,586,819	5,586,819	-
FUND BALANCE, END OF YEAR	\$ 5,965,013	\$ 6,639,813	\$ 7,082,688	\$ 442,875

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Law Enforcement Fund
 For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Fines and forfeitures	\$ 115,000	\$ 115,000	\$ 312,255	\$ 197,255
Investment income (loss)	1,000	2,625	3,437	812
Contributions	34,450	34,450	35,210	760
Total revenues	150,450	152,075	350,902	198,827
EXPENDITURES				
Current Expenditures:				
General government				
Police	137,000	137,000	35,934	101,066
Capital Expenditures:				
Police	-	-	13,369	(13,369)
Total expenditures	137,000	137,000	49,303	87,697
Excess (deficiency) of revenues over (under) expenditures	13,450	15,075	301,599	286,524
Net change in fund balance	13,450	15,075	301,599	286,524
Fund balance, beginning of year	547,432	547,432	547,432	-
FUND BALANCE, END OF YEAR	\$ 560,882	\$ 562,507	\$ 849,031	\$ 286,524

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Donations Fund
 For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Investment income (loss)	\$ 380	\$ 950	\$ 1,141	\$ 191
Contributions	7,500	7,500	2,412	(5,088)
Total revenues	7,880	8,450	3,553	(4,897)
EXPENDITURES				
Current Expenditures:				
Fire	7,650	7,650	3,309	4,341
Total expenditures	7,650	7,650	3,309	4,341
Excess (deficiency) of revenues over (under) expenditures	230	800	244	(556)
Net change in fund balance	230	800	244	(556)
Fund balance, beginning of year	47,865	47,865	47,865	-
FUND BALANCE, END OF YEAR	\$ 48,095	\$ 48,665	\$ 48,109	\$ (556)

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Community Housing Fund
 For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Intergovernmental	\$ 1,734,780	\$ 2,327,040	\$ 1,509,835	\$ (817,205)
Miscellaneous	15,000	15,000	-	(15,000)
Total revenues	1,749,780	2,342,040	1,509,835	(832,205)
EXPENDITURES				
Current Expenditures:				
General government	-	-	172,794	(172,794)
Development	1,739,780	2,332,040	1,335,990	996,050
Total expenditures	1,739,780	2,332,040	1,508,784	823,256
Excess (deficiency) of revenues over (under) expenditures	10,000	10,000	1,051	(8,949)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,500,000	1,500,000
Total other financing sources (uses)	-	-	1,500,000	1,500,000
Net change in fund balance	10,000	10,000	1,501,051	1,491,051
Fund balance, beginning of year	43,849	43,849	43,849	-
FUND BALANCE, END OF YEAR	\$ 53,849	\$ 53,849	\$ 1,544,900	\$ 1,491,051

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Urban Transit District Fund
 For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ 1,219,774	\$ 2,041,669	\$ 2,317,498	\$ 275,829
Investment income (loss)	2,000	2,000	2,425	425
Miscellaneous	-	-	250	250
	<u>1,221,774</u>	<u>2,043,669</u>	<u>2,320,173</u>	<u>276,504</u>
EXPENDITURES				
Current Expenditures:				
General government	1,240,437	2,071,532	2,214,348	(142,816)
Capital Expenditures:				
General government	-	-	126,597	(126,597)
	<u>1,240,437</u>	<u>2,071,532</u>	<u>2,340,945</u>	<u>(269,413)</u>
Excess (deficiency) of revenues over (under) expenditures	(18,663)	(27,863)	(20,772)	7,091
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	24,702	24,702	-
	<u>20,000</u>	<u>24,702</u>	<u>24,702</u>	<u>-</u>
Net change in fund balance	1,337	(3,161)	3,930	7,091
Fund balance, beginning of year	304,709	304,709	304,709	-
FUND BALANCE, END OF YEAR	<u><u>\$ 306,046</u></u>	<u><u>\$ 301,548</u></u>	<u><u>\$ 308,639</u></u>	<u><u>\$ 7,091</u></u>

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 Grants Fund
 For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
REVENUES				
Intergovernmental	\$ 680,687	\$ 1,068,987	\$ 723,121	\$ (345,866)
Investment income (loss)	2,000	-	-	-
Contributions	500	500	-	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	683,187	1,069,487	723,121	(346,366)
EXPENDITURES				
Current Expenditures:				
General government	681,187	1,069,487	11,420	1,058,067
Police	-	-	116,707	(116,707)
Fire	-	-	123,741	(123,741)
Development	-	-	227,200	(227,200)
Capital Expenditures:				
Police	-	-	129,184	(129,184)
Fire	-	-	111,538	(111,538)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	681,187	1,069,487	719,790	349,697
Excess (deficiency) of revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	2,000	-	3,331	3,331
Net change in fund balance	2,000	-	3,331	3,331
Fund balance, beginning of year	<hr/>	<hr/>	<hr/>	<hr/>
	21,099	21,099	21,099	-
FUND BALANCE, END OF YEAR	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 23,099	\$ 21,099	\$ 24,430	\$ 3,331

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 TIRZ 1 Fund
 For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,685,291	\$ 2,685,291	\$ 2,591,202	\$ (94,089)
Sales and use taxes	2,023,800	2,634,844	2,722,368	87,524
Investment income (loss)	159,000	1,105,560	1,314,959	209,399
Contributions	-	-	10,680	10,680
Total revenues	4,868,091	6,425,695	6,639,209	213,514
EXPENDITURES				
General government	300,000	1,266,375	534,975	731,400
Debt Service:				
Interest and fiscal charges	-	675,760	675,760	-
Total expenditures	300,000	1,942,135	1,210,735	731,400
Excess (deficiency) of revenues over (under) expenditures	4,568,091	4,483,560	5,428,474	944,914
OTHER FINANCING SOURCES (USES)				
Transfers out	(38,329)	(15,558,329)	(38,329)	15,520,000
Total other financing sources (uses)	(38,329)	(15,558,329)	(38,329)	15,520,000
Net change in fund balance	4,529,762	(11,074,769)	5,390,145	16,464,914
Fund balance, beginning of year	27,010,373	27,010,373	27,010,373	-
FUND BALANCE, END OF YEAR	\$ 31,540,135	\$ 15,935,604	\$ 32,400,518	\$ 16,464,914

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 TIRZ 2 Fund
 For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Property taxes	\$ 1,190,745	\$ 1,190,745	\$ 1,165,687	\$ (25,058)
Sales and use taxes	1,070,100	1,200,501	1,445,469	244,968
Investment income (loss)	98,000	162,830	237,105	74,275
Total revenues	2,358,845	2,554,076	2,848,261	294,185
Excess (deficiency) of revenues over (under) expenditures	2,358,845	2,554,076	2,848,261	294,185
OTHER FINANCING SOURCES (USES)				
Transfers out	(35,219)	(35,219)	(35,219)	-
Total other financing sources (uses)	(35,219)	(35,219)	(35,219)	-
Net change in fund balance	2,323,626	2,518,857	2,813,042	294,185
Fund balance, beginning of year	4,939,240	4,939,240	4,939,240	-
FUND BALANCE, END OF YEAR	<u><u>\$ 7,262,866</u></u>	<u><u>\$ 7,458,097</u></u>	<u><u>\$ 7,752,282</u></u>	<u><u>\$ 294,185</u></u>

City of McKinney, Texas
 Budgetary Comparison (GAAP Basis)
 PEG Cable Channel Fund
 For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Other taxes and fees	\$ 271,532	\$ 263,532	\$ 243,174	\$ (20,358)
Investment income (loss)	53,000	70,400	83,432	13,032
Total revenues	324,532	333,932	326,606	(7,326)
EXPENDITURES				
Current expenditures:				
General government	337,500	337,500	3,000	334,500
Total expenditures	337,500	337,500	3,000	334,500
Excess (deficiency) of revenues over (under) expenditures	(12,968)	(3,568)	323,606	327,174
Net change in fund balance	(12,968)	(3,568)	323,606	327,174
Fund balance, beginning of year	1,669,855	1,669,855	1,669,855	-
FUND BALANCE, END OF YEAR	\$ 1,656,887	\$ 1,666,287	\$ 1,993,461	\$ 327,174

Nonmajor Enterprise 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.

City of McKinney, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2023

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 160,374	\$ 5,010,933	\$ 927,326	\$ 6,098,633
Investments	-	-	9,758,100	9,758,100
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accounts receivable (net of allowance for uncollectibles)	11,322	510,342	2,019,967	2,541,631
Accrued interest	-	-	130,055	130,055
Notes receivable- interfund	-	-	3,434,221	3,434,221
Prepays	-	-	563,602	563,602
Total current assets	181,696	5,521,275	16,833,271	22,536,242
Non-current assets:				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,481,255	-	164,402	1,645,657
Improvements other than buildings	2,527,212	-	364,127	2,891,339
Machinery and equipment	213,461	3,367,895	837,513	4,418,869
Construction in progress	-	-	12,252	12,252
Less accumulated depreciation/amortization	(3,294,279)	(1,247,740)	(1,069,266)	(5,611,285)
Total capital assets (net of accumulated depreciation/amortization)	1,329,862	2,120,155	473,324	3,923,341
TOTAL ASSETS	1,511,558	7,641,430	17,306,595	26,459,583
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	-	659,083	458,798	1,117,881
Deferred OPEB outflows	-	41,060	28,583	69,643
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	700,143	487,381	1,187,524
LIABILITIES				
Current liabilities:				
Accounts payable	-	135,735	949,941	1,085,676
Other accrued liabilities	-	38,829	403,996	442,825
Due to other funds	-	-	30,267	30,267
Notes payable	56,049	-	-	56,049
Compensated absences	-	21,964	14,182	36,146
Total current liabilities	56,049	196,528	1,398,386	1,650,963
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total current liabilities payable from restricted assets	10,000	-	-	10,000
Non-current liabilities:				
Compensated absences	-	222,082	143,395	365,477
Notes payable	358,274	-	-	358,274
Net pension liability	-	1,104,326	768,739	1,873,065
Total OPEB liability	-	226,274	157,513	383,787
Total non-current liabilities	358,274	1,552,682	1,069,647	2,980,603
TOTAL LIABILITIES	424,323	1,749,210	2,468,033	4,641,566
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	-	2,294	1,597	3,891
Deferred OPEB inflows	-	159,062	110,725	269,787
TOTAL DEFERRED INFLOWS OF RESOURCES	-	161,356	112,322	273,678
NET POSITION				
Net investment in capital assets	1,329,862	2,120,155	473,324	3,923,341
Unrestricted	(242,627)	4,310,852	14,740,297	18,808,522
TOTAL NET POSITION	\$ 1,087,235	\$ 6,431,007	\$ 15,213,621	\$ 22,731,863

City of McKinney, Texas

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Nonmajor Enterprise Funds

For the Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds			Total Nonmajor Enterprise Funds
	Golf Course	Surface Water Drainage	Solid Waste	
OPERATING REVENUES				
Charges for services	\$ 57,779	\$ 4,532,964	\$ 10,345,654	\$ 14,936,397
Miscellaneous	99,056	-	(265,064)	(166,008)
Total operating revenues	156,835	4,532,964	10,080,590	14,770,389
OPERATING EXPENSES				
Personnel services	-	2,404,145	1,875,793	4,279,938
Materials and supplies	-	124,518	76,955	201,473
Maintenance	-	261,365	61,282	322,647
Contract payments	430,500	1,135,118	7,108,813	8,674,431
Utilities	-	2,388	-	2,388
Depreciation/amortization	54,417	341,469	61,129	457,015
Other	11,023	73,072	101,378	185,473
Total operating expenses	495,940	4,342,075	9,285,350	14,123,365
Operating income (loss)	(339,105)	190,889	795,240	647,024
NON-OPERATING REVENUES (EXPENSES)				
Investment income (loss)	9,884	267,100	408,041	685,025
Gain from disposal of assets	-	4,210	-	4,210
Total non-operating revenues	9,884	271,310	408,041	689,235
Income(loss) before contributions and transfers	(329,221)	462,199	1,203,281	1,336,259
Transfers in	-	-	106,989	106,989
Transfers out	(20,000)	(376,213)	(1,081,873)	(1,478,086)
Change in net position	(349,221)	85,986	228,397	(34,838)
Total net position - beginning	1,436,456	6,345,021	14,985,224	22,766,701
TOTAL NET POSITION - ENDING	\$ 1,087,235	\$ 6,431,007	\$ 15,213,621	\$ 22,731,863

City of McKinney, Texas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds			Total
	Golf Course	Surface Water Drainage	Solid Waste	Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 64,678	\$ 4,489,161	\$ 10,447,542	\$ 15,001,381
Other operating revenues	99,056	-	(265,064)	(166,008)
Cash payments for employee services	-	(2,265,867)	(1,782,521)	(4,048,388)
Cash payments to suppliers for goods and services	(441,523)	(1,529,345)	(7,526,273)	(9,497,141)
Net cash provided by (used in) operating activities	(277,789)	693,949	873,684	1,289,844
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Cash received from other funds	-	-	552,674	552,674
Transfers in	-	-	106,989	106,989
Transfers out	(20,000)	(376,213)	(1,081,873)	(1,478,086)
Net cash used in non-capital financing activities	(20,000)	(376,213)	(422,210)	(818,423)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	-	(1,025,788)	(40,671)	(1,066,459)
Proceeds from sale of assets	-	9,210	-	9,210
Principal payments on interfund loans	(55,085)	-	-	(55,085)
Net cash used in capital and related financing activities	(55,085)	(1,016,578)	(40,671)	(1,112,334)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investment securities	-	-	(249,100)	(249,100)
Investment earnings (loss)	9,884	267,100	408,041	685,025
Net cash provided by investing activities	9,884	267,100	158,941	435,925
Net increase (decrease) in cash	(342,990)	(431,742)	569,744	(204,988)
Cash and cash equivalents at beginning of year	513,364	5,442,675	357,582	6,313,621
Cash and cash equivalents at end of year	\$ 170,374	\$ 5,010,933	\$ 927,326	\$ 6,108,633
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	\$ 160,374	\$ 5,010,933	\$ 927,326	\$ 6,098,633
Restricted cash and cash equivalents	10,000	-	-	10,000
	\$ 170,374	\$ 5,010,933	\$ 927,326	\$ 6,108,633
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (339,105)	\$ 190,889	\$ 795,240	\$ 647,024
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization	54,417	341,469	61,129	457,015
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	6,899	(43,803)	176,214	139,310
Accrued interest receivable	-	-	(74,326)	(74,326)
Prepaid expenses	-	-	(332,362)	(332,362)
Increase (decrease) in liabilities:				
Accounts payable	-	58,592	163,678	222,270
Accrued liabilities	-	8,524	(6,432)	2,092
Due to other funds	-	-	(2,729)	(2,729)
Liability for compensated absences	-	35,048	21,414	56,462
Net pension liability and OPEB obligation	-	103,230	71,858	175,088
Total adjustments	61,316	503,060	78,444	642,820
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (277,789)	\$ 693,949	\$ 873,684	\$ 1,289,844
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Non cash contributions	\$0	\$0	\$0	\$0

Discretely Presented Component Units

McKinney Economic Development Corporation – purpose is to aid, promote and further the economic development within the City.

McKinney Community Development Corporation – purpose is to identify and fund public projects to maintain or enhance the quality of life in the city.

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

McKinney Main Street – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.

City of McKinney, Texas
 Combining Balance Sheet
 McKinney Economic Development Corporation
 Discretely Presented Component Units
 September 30, 2023

	McKinney Economic Development Corporation
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 1,839,306
Restricted cash and cash equivalents	3,916,541
Investments	20,538,420
Accounts receivable	4,151,763
Leases receivable	584,016
Prepaid items	74,171
Total assets	<hr/> \$ 31,104,217 <hr/>
 LIABILITIES	
Accounts payable	\$ 1,331,798
Other accrued liabilities	31,120
Total liabilities	<hr/> 1,362,918 <hr/>
 DEFERRED INFLOWS OF RESOURCES	
Leases	574,043
Total deferred inflows of resources	<hr/> 574,043 <hr/>
 FUND BALANCES	
Nonspendable	
Prepaid items	74,171
Unassigned	29,093,085
Total fund balance	<hr/> 29,167,256 <hr/>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<hr/> \$ 31,104,217 <hr/>

City of McKinney, Texas

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Economic Development Corporation
Discretely Presented Component Units
September 30, 2023

Total fund balance - MEDC balance sheet \$ 29,167,256

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 and amortization. 69,269,430

Accrued liabilities for compensated absences are not reflected in the fund financial statements. (51,946)

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 inflows of resources consist of:

Deferred pension outflows (GASB 68)	448,238
Deferred OPEB outflows (GASB 75)	27,925
Deferred charge on refunding	99,541
Deferred pension inflows (GASB 68)	(1,560)
Deferred OPEB inflows (GASB 75)	(108,176)

Net pension and total OPEB liabilities are not reported in the funds. (904,930)

Bonds payable and notes payable are not reported in the funds. (18,290,000)

Lease liabilities are not reported in the funds. (1,996,576)

Accrued interest is not reported in the funds. (22,262)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 77,636,940

City of McKinney, Texas

Combining Statements of Revenues, Expenditures and Changes in Fund Balance

McKinney Economic Development Corporation

Discretely Presented Component Units

For the Year Ended September 30, 2023

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	\$ 22,306,184
Investment income	1,057,556
Contributions	353,373
Total revenues	23,717,113
EXPENDITURES	
Economic development	21,392,055
Interest and fiscal charges	319,268
Principal payments	2,246,635
Capital outlay	2,257,869
Total expenditures	26,215,827
Excess (deficiency) of revenues over (under) expenditures	(2,498,714)
OTHER FINANCING SOURCES (USES)	
Other financing source - proceeds from leases	2,058,211
Proceeds from sale of property	73,413
Total other financing sources (uses):	2,131,624
Net change in fund balance	(367,090)
Fund balance, beginning of year	29,534,346
FUND BALANCE, END OF YEAR	\$ 29,167,256

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
Discretely Presented Component Units
For the Year Ended September 30, 2023

Net change in fund balance - MEDC governmental funds	\$ (367,090)
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 they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2023 capital outlays is to increase net position.	2,257,869
Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources.	(148,282)
Bond principal, lease and note payable payments are not reported in the Statement of Activities.	2,246,635
The issuance and refunding of long-term debt and leases, are shown as "Other Sources and Uses" in the governmental funds, but are shown on the statement of net position as a change 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 leases	(2,058,211)
The amortization of losses on refunding of debt are not recorded in the governmental funds, but are amortized on the statement of activities as interest expense. This resulted in the following difference:	
Amortization of refunding loss	(45,151)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	686
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(70,202)
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 the governmental fund.	18,126
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,834,380

City of McKinney, Texas

Balance Sheet

McKinney Community Development Corporation

Discretely Presented Component Units

September 30, 2023

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	\$ 6,742,908
Investments	58,558,460
Accounts receivable	4,127,492
Leases receivable	194,672
Prepaid items	20,279
Total assets	<u>69,643,811</u>
LIABILITIES	
Accounts payable	1,110,174
Other accrued liabilities	8,423
Total liabilities	<u>1,118,597</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	191,348
Total deferred inflows of resources	<u>191,348</u>
FUND BALANCES	
Nonspendable	
Prepaid items	20,279
Unassigned	68,313,587
Total fund balance	<u>68,333,866</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 69,643,811</u>

City of McKinney, Texas

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Community Development Corporation
Discretely Presented Component Units
September 30, 2023

Total fund balance - MCDC balance sheet	\$ 68,333,866
Amounts reported for governmental activities in the statement of net position are different because:	
Bonds payable are not reported in the funds.	(16,210,000)
Accrued interest is not reported in the funds.	(75,679)
Lease liabilities are not reported in the funds.	(665,525)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(58,463)
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:	
Deferred pension outflows (GASB 68)	114,917
Deferred OPEB outflows (GASB 75)	7,160
Deferred pension inflows (GASB 68)	(400)
Deferred OPEB inflows (GASB 75)	(27,734)
Net pension and total OPEB liabilities are not reported in the funds.	(232,001)
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 and amortization.	23,578,652
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 74,764,793</u></u>

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balance
McKinney Community Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2023

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	\$ 22,306,184
Investment income	2,158,496
Contributions	544,438
Total revenues	<u>25,009,118</u>
EXPENDITURES	
Community development	11,545,941
Capital outlay	11,163,941
Debt service:	
Principal retirement	1,105,545
Interest and fiscal charges	647,742
Total expenditures	<u>24,463,169</u>
Excess (deficiency) of revenues over (under) expenditures	545,949
OTHER FINANCING SOURCES (USES)	
Other financing source - proceeds from leases	686,070
Total other financing sources	<u>686,070</u>
Net change in fund balances	1,232,019
Fund balance, beginning of year	<u>67,101,847</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 68,333,866</u></u>

City of McKinney, Texas

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
 McKinney Community Development Corporation
 Discretely Presented Component Units
 For the Year Ended September 30, 2023

Net change in fund balance - MCDC governmental funds	\$ 1,232,019
Amounts reported for governmental activities in the statement of activities are different because:	
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.	1,105,545
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	3,826
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.	462
Current year capital outlays are expenditures in the fund financial statements, but they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2023 capital outlays is to increase net position.	11,163,941
The issuance and refunding of long-term debt and leases, are shown as "Other Sources and Uses" in the governmental funds, but are shown on the statement of net position as a change 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 leases	(686,070)
Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources.	(40,644)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(17,999)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 12,761,080</u></u>

City of McKinney, Texas

Balance Sheet

McKinney Convention and Visitors Bureau

Discretely Presented Component Units

September 30, 2023

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	\$ 93,790
Prepaid items	3,800
	<hr/>
Total assets	97,590
	<hr/> <hr/>
LIABILITIES	
Accounts payable	14,726
Other accrued liabilities	13,940
	<hr/>
Total liabilities	28,666
	<hr/>
FUND BALANCES	
Nonspendable	
Prepaid items	3,800
Unassigned	65,124
	<hr/>
Total fund balance	68,924
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 97,590
	<hr/> <hr/>

City of McKinney, Texas

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
For the Year Ended September 30, 2023

Total fund balance - MCVB balance sheet \$ 68,924

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:

Deferred pension outflows (GASB 68)	174,763
Deferred OPEB outflows (GASB 75)	10,888
Deferred pension inflows (GASB 68)	(608)
Deferred OPEB inflows (GASB 75)	(42,177)

Net pension and total OPEB liabilities are not reported in the funds. (352,823)

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 and amortization. 504,643

Accrued liabilities for compensated absences are not reflected in the fund financial statements. (41,177)

Lease liabilities have not been included in the governmental fund financial statements. (522,199)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (199,766)

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balance
McKinney Convention and Visitors Bureau
Discretely Presented Component Units
For the Year Ended September 30, 2023

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	\$ 1,030,000
Investment income	2,992
Miscellaneous	3,877
	<hr/>
Total revenues	1,036,869
	<hr/>
EXPENDITURES	
Community development	986,240
Capital outlay	559,199
Interest and fiscal charges	21,737
Principal payments	37,000
	<hr/>
Total expenditures	1,604,176
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	(567,307)
OTHER FINANCING SOURCES (USES)	
Other financing source - proceeds from leases	559,199
	<hr/>
Total other financing sources	559,199
	<hr/>
Net change in fund balances	(8,108)
Fund balance, beginning of year	77,032
	<hr/>
FUND BALANCE, END OF YEAR	\$ 68,924
	<hr/> <hr/>

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
Discretely Presented Component Units
For the Year Ended September 30, 2023

Net change in fund balance - MCVB governmental funds \$ (8,108)

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 they are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the 2023 capital outlays is to increase net position. 559,199

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. 37,000

Governmental funds do not report depreciation and amortization since it does not require the use of current financial resources. (54,556)

Pension and OPEB expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements. (27,371)

The issuance and refunding of long-term debt and leases, are shown as "Other Sources and Uses" in the governmental funds, but are shown on the statement of net position as a change 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 leases (559,199)

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. (8,536)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (61,571)

City of McKinney, Texas
 Balance Sheet
 McKinney Main Street
 Discretely Presented Component Units
 September 30, 2023

	McKinney Main Street Corporation
ASSETS	
Cash and cash equivalents	\$ 497,592
Accounts receivable	95,380
Prepaid items	6,500
	<hr/>
Total assets	599,472
	<hr/> <hr/>
LIABILITIES	
Accounts payable	167,108
Other accrued liabilities	71
Unearned revenue	21,250
	<hr/>
Total liabilities	188,429
FUND BALANCES	
NonSpendable	
Prepaid items	6,500
Unassigned	404,543
	<hr/>
Total fund balance	411,043
	<hr/> <hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 599,472

City of McKinney, Texas

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
McKinney Main Street
Discretely Presented Component Units
For the Year Ended September 30, 2023

Total fund balance - MMS balance sheet \$ 411,043

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.

121,078

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 532,121

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes in Fund Balance

McKinney Main Street

Discretely Presented Component Units

For the Year Ended September 30, 2023

	McKinney Main Street Corporation
REVENUES	
Contributions	\$ 161,000
Events	1,073,160
	<hr/>
Total revenues	1,234,160
	<hr/>
EXPENDITURES	
Community development	1,152,434
	<hr/>
Total expenditures	1,152,434
	<hr/>
Excess (deficiency) of revenues over (under) expenditures	81,726
	<hr/>
Fund balance, beginning of year	329,317
	<hr/>
FUND BALANCE, END OF YEAR	\$ 411,043
	<hr/> <hr/>

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
Discretely Presented Component Units
For the Year Ended September 30, 2023

Net change in fund balance - MMS governmental funds \$ 81,726

Amounts reported for governmental activities in the statement of activities are different because:

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net assets.

(12,858)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 68,868



Statistical Section



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

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

Source: Unless otherwise noted, the information in these tables is derived from the annual comprehensive 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			
	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 252,289,367	\$ 268,918,693	\$ 320,331,134	\$ 403,719,522
Restricted for:				
Use of impact fees	5,692,253	-	-	-
Highways and streets	24,938,952	28,691,743	32,306,475	32,618,355
Debt service	1,400,079	4,107,035	3,894,517	4,605,297
Other capital projects	50,015,128	65,017,451	44,403,282	53,624,967
Public safety	896,023	601,868	614,384	576,119
Community development	779,686	1,312,903	4,110,258	4,553,868
Court	-	-	350,172	383,860
Library	248,630	224,501	203,093	131,231
PEG	-	-	-	-
Cultural and recreation	15,412	13,751	14,067	10,423
Grants and donations	434,681	269,985	257,398	180,313
Unrestricted	56,117,047	34,468,809	44,277,694	690,403,330
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 392,827,258	\$ 403,626,739	\$ 450,762,474	\$ 569,444,285
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 330,408,725	\$ 340,775,669	\$ 370,316,179	\$ 391,997,298
Restricted for:				
Use of impact fees	7,564,939	8,995,690	8,407,115	9,415,280
Debt service	5,601,263	4,248,344	4,338,428	6,420,315
Unrestricted	89,167,306	88,825,761	89,348,086	100,155,117
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 432,742,233	\$ 442,845,464	\$ 472,409,808	\$ 507,988,010
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 582,698,092	\$ 609,694,362	\$ 690,647,313	\$ 795,716,820
Restricted for:				
Use of impact fees	13,257,192	8,995,690	8,407,115	9,415,280
Highways and streets	24,938,952	28,691,743	32,306,475	32,618,355
Debt service	7,001,342	8,355,379	8,232,945	11,025,612
Other capital projects	50,015,128	65,017,451	44,403,282	53,624,967
Public safety	896,023	601,868	614,384	576,119
Community development	779,686	1,312,903	4,110,258	4,553,868
Court	-	-	350,172	383,860
Library	248,630	224,501	203,093	131,231
PEG	-	-	-	-
Cultural and recreation	15,412	13,751	14,067	10,423
Grants and donations	434,681	269,985	257,398	180,313
Unrestricted	145,284,353	123,294,570	133,625,780	169,195,447
TOTAL PRIMARY GOVERNMENTAL NET POSITION	\$ 825,569,491	\$ 846,472,203	\$ 923,172,282	\$ 1,077,432,295

Source: Annual Comprehensive Financial Report

Table 1

Fiscal Year						
2018	2019	2020	2021	2022	2023	
\$ 440,381,046	\$ 461,843,548	\$ 496,467,289	\$ 553,954,416	\$ 575,424,351	\$ 682,444,748	
-	-	19,459,628	12,534,491	17,703,582	18,048,550	
39,325,471	18,494,348	-	-	-	-	
5,550,814	5,964,590	6,147,185	4,999,807	5,439,350	7,313,471	
76,097,635	62,137,151	66,401,069	79,624,383	92,104,403	105,664,530	
520,453	439,588	540,844	457,823	458,868	750,717	
5,082,730	15,361,571	15,261,023	15,794,962	37,571,634	48,760,307	
415,412	530,241	558,328	563,451	531,492	518,211	
84,924	-	-	-	-	-	
-	1,864,718	2,078,723	2,381,953	1,669,855	1,993,461	
2,628	-	-	-	-	-	
178,151	415,799	538,225	499,164	491,291	522,187	
16,826,562	37,373,891	48,100,768	63,714,215	72,150,340	86,177,085	
<u>\$ 584,465,826</u>	<u>\$ 604,425,445</u>	<u>\$ 655,553,082</u>	<u>\$ 734,524,665</u>	<u>\$ 803,545,166</u>	<u>\$ 952,193,267</u>	
\$ 448,604,533	\$ 445,241,220	\$ 503,427,839	\$ 524,411,432	\$ 529,209,550	\$ 595,683,976	
10,286,227	5,913,858	5,467,274	4,247,524	8,522,636	7,197,129	
7,015,666	7,974,994	8,818,206	9,301,316	14,132,648	16,891,621	
107,923,617	125,098,478	109,449,958	110,313,189	122,357,301	155,797,875	
<u>\$ 573,830,043</u>	<u>\$ 584,228,550</u>	<u>\$ 627,163,277</u>	<u>\$ 648,273,461</u>	<u>\$ 674,222,135</u>	<u>\$ 775,570,601</u>	
\$ 888,985,579	\$ 907,084,768	\$ 999,895,128	\$ 1,078,365,848	\$ 1,104,633,901	\$ 1,278,128,724	
10,286,227	5,913,858	24,926,902	16,782,015	26,226,218	25,245,679	
39,325,471	18,494,348	-	-	-	-	
12,566,480	13,939,584	14,965,391	14,301,123	19,571,998	24,205,092	
76,097,635	62,137,151	66,401,069	79,624,383	92,104,403	105,664,530	
520,453	439,588	540,844	457,823	458,868	750,717	
5,082,730	15,361,571	15,261,023	15,794,962	37,571,634	48,760,307	
415,412	530,241	558,328	563,451	531,492	518,211	
84,924	-	-	-	-	-	
-	1,864,718	2,078,723	2,381,953	1,669,855	1,993,461	
2,628	-	-	-	-	-	
178,151	415,799	538,225	499,164	491,291	522,187	
124,750,179	162,472,369	157,550,726	174,027,404	194,507,641	241,974,960	
<u>\$ 1,158,295,869</u>	<u>\$ 1,188,653,995</u>	<u>\$ 1,282,716,359</u>	<u>\$ 1,382,798,126</u>	<u>\$ 1,477,767,301</u>	<u>\$ 1,727,763,868</u>	

City of McKinney, Texas
Changes in Net Position
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2014	2015	2016	2017	2018
EXPENSES					
Governmental activities:					
General government	\$ 33,368,297	\$ 27,058,274	\$ 29,952,269	\$ 34,346,612	\$ 35,050,241
Police	26,024,709	25,624,335	29,047,393	31,471,552	34,855,099
Fire	22,806,691	23,727,013	25,631,075	27,403,683	31,326,519
Libraries	3,320,179	3,693,705	3,774,409	3,819,963	3,968,132
Development	10,057,171	13,418,166	10,222,464	10,745,301	11,992,802
Parks and recreation	10,415,311	9,377,277	12,526,997	16,517,121	20,227,336
Public works	37,604,682	39,812,246	40,143,368	44,061,044	47,181,195
Interest on long-term debt	8,482,455	8,019,483	9,020,305	8,457,638	7,617,338
Total governmental activities expenses	152,079,495	150,730,499	160,318,280	176,822,914	192,218,662
Business-type activities:					
Water/Wastewater	55,007,446	60,487,007	69,073,537	74,364,452	86,521,086
Solid Waste	6,280,217	6,860,903	6,861,627	7,386,715	7,640,500
Golf Course	194,403	198,663	182,383	192,350	209,085
Surface Water Drainage	1,934,435	1,911,038	2,098,662	2,771,455	2,531,085
Airport	8,601,099	8,859,527	9,340,030	9,797,154	11,332,572
Total business-type activities expenses	72,017,600	78,317,138	87,556,239	94,512,126	108,234,328
Total primary government expenses	224,097,095	229,047,637	247,874,519	271,335,040	300,452,990
PROGRAM REVENUES					
Governmental activities:					
Charges for Services:					
General government	\$ 1,467,171	\$ 3,842,116	\$ 4,327,862	\$ 1,734,117	\$ 8,566,014
Police	2,552,326	1,757,760	2,033,877	2,894,518	137,611
Fire	2,394,449	2,631,057	3,346,928	3,628,262	3,256,577
Libraries	112,271	108,738	92,746	81,835	52,211
Development	7,264,193	9,825,165	10,637,402	13,523,148	10,753,714
Parks and recreation	965,429	1,031,799	1,048,658	3,893,394	5,465,766
Public works	-	-	-	218,620	-
Interest on long-term debt	528,000	-	-	-	-
Airport	2,199	-	-	-	-
Operating grants and contributions	2,446,548	2,051,029	2,011,757	3,302,214	2,761,779
Capital grants and contributions	28,827,649	38,427,242	48,227,810	104,025,218	50,240,637
Total governmental activities program revenues	46,560,235	59,674,906	71,727,040	133,301,326	81,234,309
Business-type activities:					
Charges for Services:					
Water/Wastewater	54,882,881	58,854,349	70,527,096	78,432,191	91,188,605
Solid Waste	7,372,250	7,598,827	8,121,069	8,443,042	8,864,585
Golf Course	105,854	88,890	34,123	34,516	31,086
Surface Water Drainage	1,998,850	2,701,864	3,517,545	3,587,187	3,756,789
Airport	4,587,659	5,801,175	6,411,460	7,149,114	8,315,001
Operating grants and contributions	94,582	67,332	54,753	49,752	32,291
Capital grants and contributions	96,783,997	18,125,746	30,335,555	30,423,073	38,937,521
Total business-type activities program revenues	165,826,073	93,238,183	119,001,601	128,118,875	151,125,878
Total primary government program revenues	\$ 212,386,308	\$ 152,913,089	\$ 190,728,641	\$ 261,420,201	\$ 232,360,187

Table 2

		Fiscal Year				
		2019	2020	2021	2022	2023
\$	38,767,205	\$ 46,445,188	\$ 55,513,531	\$ 54,029,472	\$ 48,694,161	
	38,968,663	40,922,301	41,444,186	44,046,266	50,629,631	
	34,465,660	38,322,559	40,379,354	41,485,414	49,175,956	
	4,100,658	4,022,261	4,228,802	4,281,604	4,825,193	
	12,283,958	12,353,033	13,044,611	14,462,451	15,593,514	
	20,027,790	19,863,471	20,844,556	23,565,269	28,400,636	
	50,529,534	47,001,627	48,209,770	51,037,173	58,471,080	
	8,593,942	8,777,386	8,011,179	9,113,250	12,234,378	
	207,737,410	217,707,826	231,675,989	242,020,899	268,024,549	
	91,546,894	99,507,052	100,401,100	109,779,907	126,622,456	
	7,705,838	8,095,655	9,213,474	8,626,821	9,285,350	
	79,314	77,207	75,678	73,901	495,940	
	3,054,064	3,457,729	3,193,115	3,358,672	4,342,075	
	12,083,532	10,467,525	12,360,879	18,981,288	18,459,126	
	114,469,642	121,605,168	125,244,246	140,820,589	159,204,947	
	322,207,052	339,312,994	356,920,235	382,841,488	427,229,496	
\$	5,507,427	\$ 7,507,139	\$ 9,923,123	\$ 8,405,098	\$ 10,808,804	
	116,205	394,567	337,089	438,976	328,471	
	5,521,682	4,561,198	7,011,184	7,415,356	6,824,224	
	53,199	78,573	97,020	108,498	31,670	
	9,752,813	9,225,569	10,512,428	13,902,131	14,834,226	
	5,963,869	3,551,921	4,523,173	6,320,940	6,550,447	
	-	1,273,241	1,217,169	1,370,154	1,522,289	
	-	-	-	-	-	
	-	-	-	-	-	
	3,449,974	15,556,748	12,322,807	10,705,167	6,236,819	
	36,010,288	45,669,617	71,183,991	57,433,819	119,592,352	
	66,375,457	87,818,573	117,127,984	106,100,139	166,729,302	
	92,032,171	102,017,917	104,813,321	123,282,973	137,696,263	
	8,672,740	8,891,283	9,262,912	9,854,348	10,345,654	
	29,642	82,215	90,979	97,525	57,779	
	3,907,784	4,076,939	4,228,166	4,383,775	4,532,964	
	9,639,761	8,513,417	10,071,788	14,223,722	14,325,805	
	50,000	207,000	141,162	198,000	50,000	
	18,828,599	28,014,528	20,499,226	25,059,538	85,849,759	
	133,160,697	151,803,299	149,107,554	177,099,881	252,858,224	
\$	199,536,154	\$ 239,621,872	\$ 266,235,538	\$ 283,200,020	\$ 419,587,526	

(continued)

City of McKinney, Texas
Changes in Net Position – Continued
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2014	2015	2016	2017	2018
NET (EXPENSE) REVENUE					
Governmental activities	\$ (105,519,260)	\$ (91,055,593)	\$ (88,591,240)	\$ (43,521,588)	\$ (110,984,353)
Business-type activities	93,808,473	14,921,045	31,445,362	33,606,749	42,891,550
Total primary government net expenses	(11,710,787)	(76,134,548)	(57,145,878)	(9,914,839)	(68,092,803)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS					
Governmental activities:					
Taxes:					
Property taxes	70,586,659	79,819,213	90,581,621	101,593,480	107,281,843
Sales and use taxes	21,298,884	23,041,949	25,360,264	27,117,534	29,078,546
Franchise taxes	13,630,462	13,858,355	14,162,263	14,790,276	16,253,134
Other taxes and fees	298,151	434,494	417,981	2,651,192	338,030
Investment income	-	370,660	1,153,094	2,314,659	3,994,843
Miscellaneous	4,282,531	2,833,951	715,114	11,936,004	820,319
Special item	-	-	-	-	-
Transfers	(15,104,793)	2,965,135	336,638	1,596,987	(20,387,661)
Prior period adjustment	-	(21,468,683)	-	-	(11,376,160)
Total governmental activities	94,991,894	101,855,074	132,726,975	162,000,132	126,002,894
Business-type activities:					
Investment income	565,121	663,128	1,216,134	1,828,821	3,891,835
Gain(loss) on sale of capital assets	(851,572)	(92,106)	-	-	-
Miscellaneous	-	-	239,486	1,739,619	314,024
Transfers	15,104,793	(2,965,135)	(3,336,638)	(1,596,987)	20,387,661
Prior period adjustment	-	(2,552,917)	-	-	(1,643,037)
Total business-type activities	14,818,342	(4,947,030)	(1,881,018)	1,971,453	22,950,483
Total primary government	<u>\$ 109,810,236</u>	<u>\$ 96,908,044</u>	<u>\$ 130,845,957</u>	<u>\$ 163,971,585</u>	<u>\$ 148,953,377</u>
CHANGE IN NET POSITION					
Governmental activities	\$ (10,527,366)	\$ 10,799,481	\$ 44,135,735	\$ 118,478,544	\$ 15,018,541
Business-type activities	108,626,815	9,974,015	29,564,344	35,578,202	65,842,033
TOTAL PRIMARY GOVERNMENT	<u>\$ 98,099,449</u>	<u>\$ 20,773,496</u>	<u>\$ 73,700,079</u>	<u>\$ 154,056,746</u>	<u>\$ 80,860,574</u>

Source: Annual Comprehensive Financial Report

Table 2

Fiscal Year				
2019	2020	2021	2022	2023
\$ (141,361,953)	\$ (129,889,253)	\$ (114,548,005)	\$ (135,920,760)	\$ (101,295,247)
18,691,055	30,198,131	23,863,308	36,279,292	93,653,277
(122,670,898)	(99,691,122)	(90,684,697)	(99,641,468)	(7,641,970)
116,385,145	123,658,379	128,658,123	136,122,445	147,760,434
30,724,015	34,034,802	39,079,155	45,585,913	48,394,360
16,056,901	15,960,438	16,388,178	18,444,482	19,398,158
340,802	324,892	300,843	277,450	243,174
8,232,558	4,361,646	353,691	(5,656,955)	22,577,570
692,096	1,442,160	2,336,108	1,409,686	4,402,974
(15,533,759)	-	-	-	-
4,426,814	1,338,652	6,403,490	8,758,240	7,166,678
-	-	-	-	-
161,324,572	181,120,969	193,519,588	204,941,261	249,943,348
5,909,199	4,012,688	2,154,417	(1,963,359)	14,881,601
-	-	176,395	172,967	47,726
225,067	62,560	1,319,554	218,014	(67,460)
(4,426,814)	(1,338,652)	(6,403,490)	(8,758,240)	(7,166,678)
-	-	-	-	-
1,707,452	2,736,596	(2,753,124)	(2,635,429)	7,695,189
<u>\$ 163,032,024</u>	<u>\$ 183,857,565</u>	<u>\$ 190,766,464</u>	<u>\$ 202,305,832</u>	<u>\$ 257,638,537</u>
\$ 19,962,619	\$ 51,231,716	\$ 78,971,583	\$ 69,020,501	\$ 148,648,101
20,398,507	32,934,727	21,110,184	33,643,863	101,348,466
<u>\$ 40,361,126</u>	<u>\$ 84,166,443</u>	<u>\$ 100,081,767</u>	<u>\$ 102,664,364</u>	<u>\$ 249,996,567</u>
				(concluded)

City of McKinney, Texas
Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2014	2015	2016	2017	2018
GENERAL FUND					
Nonspendable:					
Inventory	\$ 241,881	\$ 331,605	\$ 46,072	\$ 53,892	\$ 44,571
Prepaid items	532,207	852,860	1,253,144	3,279,895	7,674,570
Land held for sale	-	-	-	-	-
Note receivable from component unit	-	-	-	-	-
Restricted:					
Law enforcement	-	-	-	10,972	-
Court	-	-	350,172	383,860	412,412
Assigned:					
APEX	-	-	-	-	-
Capital equip replacement	-	-	-	10,155,890	9,926,152
Disaster relief	-	-	-	516,552	516,552
OPEB	2,026,617	2,485,326	2,811,040	3,317,131	4,374,343
Public & performing arts	-	-	-	408,640	460,935
Unassigned	39,038,915	45,819,513	61,145,601	62,349,115	53,483,079
	<u>\$ 41,839,620</u>	<u>\$ 49,489,304</u>	<u>\$ 65,606,029</u>	<u>\$ 80,475,947</u>	<u>\$ 76,892,614</u>
Total general fund	<u>\$ 41,839,620</u>	<u>\$ 49,489,304</u>	<u>\$ 65,606,029</u>	<u>\$ 80,475,947</u>	<u>\$ 76,892,614</u>
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable:					
Prepaid items	\$ 19,817	\$ 48,664	\$ 92,305	\$ 91,159	\$ 96,403
Restricted:					
Debt service	2,917,011	2,917,011	3,894,517	4,605,297	5,550,814
Street construction	30,631,205	64,887,370	65,976,278	66,288,158	96,232,002
Other capital projects funds	50,015,128	65,017,451	89,308,763	85,952,066	73,143,080
Law enforcement	855,456	558,905	564,486	522,618	488,596
Fire	40,567	42,963	49,898	42,529	31,857
PEG	-	1,493,395	1,825,885	1,334,050	1,504,203
Library	248,630	224,501	203,093	131,231	84,924
Community housing	85,617	73,787	73,536	227,770	224,977
Parks	15,412	13,751	14,067	10,423	2,628
Hotel/Motel	779,686	1,312,903	2,210,837	2,919,895	3,805,453
Transit	-	-	-	72,153	74,813
Grants	349,064	269,985	257,398	180,313	178,151
Assigned:					
Capital equip replacement	-	-	-	6,642,090	7,439,148
Unassigned, reported in:					
Special revenue funds	-	918,558	-	-	-
	<u>\$ 85,957,593</u>	<u>\$ 137,779,244</u>	<u>\$ 164,471,063</u>	<u>\$ 169,019,752</u>	<u>\$ 188,857,049</u>
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>\$ 85,957,593</u>	<u>\$ 137,779,244</u>	<u>\$ 164,471,063</u>	<u>\$ 169,019,752</u>	<u>\$ 188,857,049</u>

Source: Annual Comprehensive Financial Report

Table 3

Fiscal Year				
2019	2020	2021	2022	2023
\$ 199,357	\$ 214,349	\$ 222,215	\$ 336,703	\$ 379,422
4,513,569	3,950,805	3,800,850	4,006,302	4,466,092
-	-	-	-	-
-	-	-	-	-
24,393	17,489	27,079	36,380	46,896
530,241	558,328	563,451	531,492	518,211
1,095,519	-	-	-	-
10,018,610	14,439,146	18,760,715	19,056,739	22,056,257
516,552	516,552	486,750	581,076	581,076
5,511,473	6,565,427	8,571,638	10,638,747	13,131,483
464,845	387,047	900,228	596,746	636,955
60,705,461	68,822,244	76,278,393	79,239,677	90,120,368
\$ 83,580,020	\$ 95,471,387	\$ 109,611,319	\$ 115,023,862	\$ 131,936,760
\$ 3,843	\$ 773,238	\$ 96,106	\$ 286,586	\$ 163,282
5,964,590	7,261,008	6,035,844	6,909,083	8,687,520
120,407,707	116,715,835	100,005,803	108,101,186	120,282,537
86,739,600	107,003,994	120,416,305	167,740,343	175,637,969
503,467	615,743	544,838	547,432	849,031
41,659	41,946	43,228	47,865	48,109
1,864,718	2,078,723	2,381,953	1,669,855	1,993,461
75,015	52,704	39,116	-	-
204,597	29,961	26,700	35,202	1,524,819
109	109	-	-	-
4,610,787	4,995,846	4,998,878	5,586,819	7,082,688
183,121	309,696	288,411	304,709	308,639
27,623	41,389	14,315	13,773	20,229
-	-	-	-	-
-	(381,595)	-	-	-
\$ 220,626,836	\$ 239,538,597	\$ 234,891,497	\$ 291,242,853	\$ 316,598,284

City of McKinney, Texas

Changes in Fund Balances, Governmental Funds (Modified Accrual Basis of Accounting) Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2014	2015	2016	2017	2018
REVENUES					
Property taxes	\$ 70,362,574	\$ 79,955,673	\$ 90,670,647	\$ 100,499,796	\$ 107,623,520
Sales and use taxes	21,278,009	23,041,949	25,360,264	27,117,534	29,078,546
Franchise taxes	13,696,854	13,767,129	14,162,263	14,790,276	16,167,036
Other taxes and fees	-	434,494	417,981	353,059	338,030
Licenses and permits	8,168,583	10,537,838	11,484,965	14,883,837	11,495,904
Intergovernmental	5,405,262	5,434,807	4,249,380	8,742,283	5,060,919
Charges for services	5,074,643	6,721,752	7,941,488	9,791,668	11,218,065
Fines and forfeitures	2,191,902	2,029,116	2,061,020	2,134,066	2,105,678
Investment income	291,194	370,660	1,153,094	2,314,659	3,994,843
Contributions	12,053,759	14,229,992	13,117,358	14,274,613	16,539,875
Miscellaneous	367,552	533,192	715,114	11,936,005	820,319
Total revenues	138,890,332	157,056,602	171,333,574	206,837,796	204,442,735
EXPENDITURES					
General government	30,876,833	22,228,405	23,766,504	28,600,730	29,039,706
Police	24,603,118	25,545,773	27,074,194	29,519,229	33,382,794
Fire	21,004,629	22,848,846	23,588,822	24,934,620	27,961,499
Libraries	2,868,747	3,279,002	3,379,840	3,382,296	3,533,097
Development	9,617,376	10,291,439	10,074,158	10,397,360	11,670,785
Parks and recreation	7,804,340	8,072,018	8,977,206	12,822,926	15,349,806
Public works	12,150,458	13,857,657	13,007,662	14,329,110	15,961,755
Capital outlay	34,224,581	24,259,961	20,225,428	38,130,013	36,517,520
Debt service:					
Principal retirement	10,810,000	13,485,000	16,452,929	18,309,211	22,096,915
Interest and fiscal charges	9,304,662	9,434,720	10,836,635	11,210,643	10,523,333
Total expenditures	163,264,744	153,302,821	157,383,378	191,636,138	206,037,210
Excess (deficiency) of revenues over (under) expenditures	(24,374,412)	3,753,781	13,950,196	15,201,658	(1,594,475)
OTHER FINANCING SOURCES (USES)					
Other financing source-issuance of long-term det	56,370,000	45,715,000	57,530,000	21,965,000	30,875,000
Other financing source-issuance of refunding det	-	-	-	-	-
Deposit to escrow account	(27,119,524)	-	(44,520,122)	(24,461,495)	-
Premium on issuance of debt	3,687,285	-	8,868,878	2,695,707	2,101,985
Proceeds from capital lease	-	-	-	-	-
Proceeds from sale of property	25,972	28,488	3,436,712	1,648,564	253,724
Transfers in	9,022,444	5,027,413	8,778,072	14,421,247	6,775,730
Transfers out	(24,127,237)	(2,062,278)	(5,235,192)	(12,255,341)	(22,158,000)
Total other financing sources (uses)	17,858,940	48,708,623	28,858,348	4,013,682	17,848,439
NET CHANGE IN FUND BALANCES	\$ (6,515,472)	\$ 52,462,404	\$ 42,808,544	\$ 19,215,340	\$ 16,253,964
Debt service as a percentage of noncapital expenditures	15.6%	17.8%	19.9%	19.2%	19.2%

Source: Annual Comprehensive Financial Report

Table 4

Fiscal Year				
2019	2020	2021	2022	2023
\$ 116,119,443	\$ 123,582,887	\$ 128,375,111	\$ 136,250,451	\$ 147,327,862
30,724,015	34,034,802	39,079,155	45,585,913	48,394,360
16,071,697	15,992,927	16,372,451	18,335,672	19,367,205
340,802	324,892	300,843	277,450	243,174
10,621,061	10,280,327	11,139,206	14,758,350	16,010,817
8,023,758	21,000,522	24,285,816	19,467,813	32,396,897
14,010,421	11,993,140	16,146,813	17,535,165	17,540,457
1,977,485	1,083,305	1,188,076	1,427,591	1,915,923
8,232,558	4,361,646	353,691	(5,823,905)	21,608,750
14,441,202	23,528,430	15,584,880	26,070,320	33,248,603
692,096	1,407,669	2,043,062	1,409,687	4,402,974
221,254,538	247,590,547	254,869,104	275,294,507	342,457,022
33,980,586	42,185,516	46,768,322	47,384,791	43,821,496
35,807,519	37,706,173	39,463,178	42,943,856	46,172,335
30,805,408	34,353,873	37,275,608	39,498,489	43,650,392
3,624,482	3,530,954	3,835,700	3,721,149	4,039,909
11,789,924	11,911,476	12,754,482	14,393,701	15,217,069
14,308,835	14,517,672	15,746,290	17,980,911	21,160,567
19,608,279	15,719,389	15,274,954	16,916,261	22,773,758
54,653,933	74,216,993	104,058,039	85,054,367	114,701,133
26,000,736	30,472,459	28,365,000	29,437,830	33,618,741
11,431,733	11,986,567	12,184,861	12,513,081	14,827,031
242,011,435	276,601,072	315,726,434	309,844,436	359,982,431
(20,756,897)	(29,010,525)	(60,857,330)	(34,549,929)	(17,525,409)
59,055,000	48,375,000	54,940,000	79,560,000	44,794,999
-	19,225,000	14,257,385	-	-
(17,041,496)	(22,303,303)	(14,286,145)	-	-
7,684,725	11,835,261	3,748,851	3,834,614	4,729,860
4,600,000	-	-	-	-
332,871	447,122	3,286,581	110,974	1,102,201
12,770,820	18,689,070	26,199,244	23,019,376	14,825,367
(8,187,830)	(16,350,418)	(17,795,754)	(10,211,136)	(5,658,689)
59,214,090	59,917,732	70,350,162	96,313,828	59,793,738
\$ 38,457,193	\$ 30,907,207	\$ 9,492,832	\$ 61,763,899	\$ 42,268,329
20.0%	21.0%	19.2%	18.7%	19.8%

City of McKinney, Texas
 Assessed Value of Taxable Property
 Last Ten Fiscal Years (Unaudited)

Table 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value^a	Total Direct Tax Rate
2014	\$ 8,912,765,220	\$ 2,923,157,524	\$ 1,197,788,548	\$ 2,104,215,838	\$ 13,033,711,292	0.58550
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	14,782,626,839	0.58300
2016	12,029,014,758	3,398,536,705	1,406,368,521	1,506,353,094	16,833,919,984	0.58300
2017	13,788,110,133	3,684,032,886	1,544,443,201	1,714,554,267	19,016,586,220	0.57300
2018	15,746,203,971	4,019,370,476	1,745,114,030	2,156,646,234	21,510,688,477	0.54020
2019	17,585,844,495	4,485,613,005	1,741,806,959	2,237,471,428	23,813,264,459	0.52517
2020	18,893,447,506	5,119,490,210	1,619,160,306	2,385,536,687	25,632,098,022	0.51560
2021	19,928,626,500	5,420,142,193	1,501,115,601	2,459,681,950	26,849,884,294	0.50865
2022	21,702,858,671	5,840,901,418	1,363,616,306	2,517,179,509	28,907,376,395	0.49766
2023	28,897,745,579	6,879,484,137	1,550,680,380	2,792,158,578	37,327,910,096	0.45749

Source: City of McKinney Budget Document
 Collin Central Appraisal District

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

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

City of McKinney, Texas

Direct and Overlapping Property Tax Rates (Per \$100 of Assessed Value)
Last Ten Fiscal Years (Unaudited)

Table 6

Fiscal Year	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	General Obligation		McKinney Independent School District	Allen Independent School District	Frisco Independent School District	Melissa Independent School District	Prosper Independent School District	Love Joy Independent School District	Collin County	Collin College District
		Debt Service	Total Direct								
2014	0.42179	0.16371	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
2018	0.37561	0.16459	0.54020	1.62000	1.57000	1.46000	1.67000	1.67000	1.67000	0.19225	0.07981
2019	0.36239	0.16278	0.52517	1.59000	1.55000	1.44000	1.67000	1.67000	1.67000	0.18079	0.08122
2020	0.35539	0.16021	0.51560	1.48835	1.45890	1.33830	1.56835	1.56835	1.56835	0.17495	0.08122
2021	0.35471	0.15393	0.50865	1.47470	1.43250	1.31020	1.46300	1.49270	1.55470	0.17253	0.08122
2022	0.34552	0.15214	0.49766	1.37670	1.40680	1.26720	1.46030	1.46030	1.50500	0.16809	0.08122
2023	0.31180	0.14569	0.45749	1.31290	1.33040	1.21290	1.44290	1.44290	1.44290	0.15244	0.08122

Source: Collin Central Appraisal District

City of McKinney, Texas
Principal Tax Payers
Current Year and Ten Years Ago (Unaudited)

Table 7

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Harbert Parkside Investor LP	\$ 320,000,000	1	0.86%	\$ -	-	-
Encore Wire Corporation	242,491,190	2	0.65%	109,550,741	1	0.84%
Raytheon TI Systems	239,911,647	3	0.64%	73,775,226	2	0.57%
DD CR V LLC	167,369,741	4	0.45%	-	-	-
Columbia Medical Center of McKinney	137,508,384	5	0.37%	58,018,725	3	0.45%
WMCI Dallas VI LLC	128,814,894	6	0.35%	-	-	-
IBG Real Estate Holdings II Inc.	102,363,270	7	0.27%	-	-	-
BT-JV MS LLC	95,484,565	8	0.26%	-	-	-
NR Reserve at Stonebridge LLC	82,100,000	9	0.22%	-	-	-
Saxon Lennox LLC & Saxon 3833 Brookstone LLC	80,000,000	10	0.21%	-	-	-
Oncor Electric Delivery Co.	-	-	-	50,747,143	4	0.39%
McKinney Towne Crossing LP	-	-	-	37,583,640	5	0.29%
Covington Cameron Acquisition LLC	-	-	-	37,213,122	6	0.29%
West Eldorado TX Partners LLC (Saxon Woods)	-	-	-	34,166,833	7	0.26%
Western Rim Investors	-	-	-	32,686,091	8	0.25%
Council 380 LLC	-	-	-	32,192,200	9	0.25%
Lowe's Home Improvement	-	-	-	32,112,196	10	0.25%
Total	<u>\$1,596,043,691</u>		<u>4.28%</u>	<u>\$ 498,045,917</u>		<u>3.84%</u>

Source: Collin County Tax Assessor and Collector

Notes: ^aTaxpayers are assessed on January 1, 2022 (2022 tax year) for the 2023 fiscal year.

^bTaxpayers are assessed on January 1, 2013 (2013 tax year) for the 2014 fiscal year.

City of McKinney, Texas
 Ad Valorem Tax Levies and Collections
 Last Ten Fiscal Years (Unaudited)

Table 8

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of levy		Amount	Percentage of levy
2014	\$ 70,570,409	\$ 69,377,804	98.31%	\$ 1,150,559	\$ 70,528,363	99.94%
2015	79,073,702	78,046,228	98.70%	980,886	79,027,113	99.94%
2016	89,449,760	88,635,948	99.09%	749,708	89,385,656	99.93%
2017	99,382,213	98,638,066	99.25%	673,699	99,311,765	99.93%
2018	106,088,440	105,628,137	99.57%	383,185	106,011,322	99.93%
2019	115,647,363	114,771,851	99.24%	732,078	115,503,929	99.88%
2020	123,181,825	122,267,894	99.26%	840,686	123,108,579	99.94%
2021	127,163,182	126,761,242	99.68%	407,819	127,169,061	100.00%
2022	134,213,315	133,855,680	99.73%	208,970	134,064,650	99.89%
2023	146,143,811	145,666,866	99.67%	-	145,666,866	99.67%

Source: Collin County Tax Assessor and Collector

City of McKinney, Texas
Ratio of Outstanding Debt By Type
Last Ten Fiscal Years (Unaudited)

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations			
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	-	363,745,591	6.16%	2,161
2018	213,360,338	41,200,000	1,276,423	803,196	119,652,993	-	376,292,950	5.97%	2,093
2019	242,236,416	35,045,000	-	4,552,459	148,292,986	-	430,126,861	5.88%	2,290
2020	272,681,323	32,330,000	-	-	161,152,389	-	466,163,712	6.02%	2,386
2021	314,887,191	17,275,000	-	-	184,308,370	-	516,470,561	6.48%	2,602
2022	367,261,598	15,170,000	-	2,184,331	235,709,035	172,428	620,497,392	7.00%	2,991
2023	382,143,153	13,265,000	-	1,673,535	265,700,939	91,452	662,874,079	6.70%	3,127

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
^aSee Table 14 for personal income and population data.

City of McKinney, Texas
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years (Unaudited)

Table 10

General Bonded Debt Outstanding						Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Less: Amounts Restricted for Debt Service	Net		
2014	\$ 144,245,000	\$ 68,875,000	\$ 4,910,000	\$ 2,104,797	\$ 215,925,203	1.66%	\$ 1,468
2015	192,241,210	66,151,279	5,031,638	4,107,035	259,317,092	1.75%	1,698
2016	210,133,796	54,330,000	3,792,501	3,894,517	264,361,780	1.57%	1,657
2017	202,283,166	43,080,000	2,540,676	4,605,297	243,298,546	1.28%	1,472
2018	213,360,338	41,200,000	1,276,423	5,550,814	250,285,947	1.16%	1,423
2019	242,236,416	35,045,000	-	5,964,590	271,316,826	1.14%	1,476
2020	272,681,323	32,330,000	-	6,147,185	298,864,138	1.17%	1,561
2021	314,887,191	17,275,000	-	4,999,807	327,162,384	1.22%	1,673
2022	367,261,598	15,170,000	-	5,439,350	376,992,248	1.30%	1,851
2023	382,143,153	13,265,000	-	7,313,471	388,094,682	1.04%	1,870

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

^aSee Table 5 for property value data.

^bSee Table 14 for population data.

City of McKinney, Texas
 Legal Debt Margin Information
 Last Ten Fiscal Years (Unaudited)

Table 11

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	0.5830	0.5830	0.5730	0.5402	0.5252	0.5156	0.5086	0.4977	0.4575
Available Tax Rate	\$ 1.91	\$ 1.92	\$ 1.92	\$ 1.93	\$ 1.96	\$ 1.97	\$ 1.98	\$ 1.99	\$ 2.00	\$ 2.04

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, 2023 (Unaudited)

Table 12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable^a	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	\$ 536,699,000	77.569%	\$ 416,309,983
Collin College District	534,989,981	15.912%	85,127,534
Collin County	721,825,000	13.860%	100,046,039
Allen ISD	636,705,810	9.696%	61,737,790
Frisco ISD	2,292,133,385	14.018%	321,306,012
Melissa ISD	380,490,000	7.408%	28,186,511
Prosper ISD	1,612,119,138	19.031%	306,804,736
Lovejoy ISD	133,285,000	2.166%	2,886,795
Subtotal, overlapping debt	6,848,247,314		1,322,405,399
City of McKinney (direct debt)	397,081,688	100.00%	397,081,688
Total direct and overlapping debt			<u><u>\$ 1,719,487,087</u></u>

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

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

City of McKinney, Texas
Pledged-Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Table 13

Fiscal Year	Water and Sewer System Revenue Bonds					Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c		
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	
2018	94,797,855	71,430,215	23,367,640	7,357,075	3.18	
2019	97,348,390	75,818,700	21,529,690	9,099,568	2.37	
2020	105,594,093	82,259,416	23,334,677	9,738,690	2.40	
2021	108,043,200	82,110,691	25,932,509	11,024,573	2.35	
2022	120,929,964	88,930,124	31,999,840	14,785,089	2.16	
2023	137,696,263	102,946,126	34,750,137	16,097,072	2.16	

Note: ^aIncludes operating and investment income.

^bIncludes operating expenses minus depreciation.

^cIncludes Principal and Interest (represents average annual requirement)

City of McKinney, Texas
Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Table 14

Year	Estimated Population^a	Personal Income^b	Per Capita Personal Income^e	Median Age^e	Median Household Income^d	School Enrollment^c	Unemployment Rate^d
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	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%
2018	179,804	6,308,243,536	35,084	35.9	93,546	24,666	3.30%
2019	187,802	7,314,700,098	38,949	36.4	90,725	24,717	3.00%
2020	195,342	7,740,817,434	39,627	37.0	89,828	24,590	6.50%
2021	198,507	7,972,239,627	40,161	37.2	93,354	23,394	3.70%
2022	206,654	8,833,631,884	42,746	37.0	98,317	23,506	3.10%
2023	211,397	9,866,109,387	46,671	36.7	98,317	23,294	3.70%

Sources: ^a Source Data: McKinney Planning Department as of January 1st for each respective year.
^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

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Raytheon Intelligence and Space	4,347	1	3.76%	3,600	1	4.86%
McKinney ISD	2,729	2	2.36%	3,147	2	4.25%
Collin County	2,034	3	1.76%	1,815	3	2.45%
Encore Wire Corporation	1,765	4	1.53%	1,000	5	1.35%
Globe Life	1,600	5	1.38%	-	-	-
Independent Financial	1,521	6	1.31%	-	-	-
City of McKinney	1,508	7	1.30%	949	6	1.28%
Collin College	964	8	0.83%	558	8	0.75%
Baylor	788	9	0.68%	550	9	0.74%
Medical City McKinney	670	10	0.58%	938	7	1.27%
Torchmark / United American Ins.	-	-	-	1,100	4	1.49%
Timber Blind Manufacturing Co.	-	-	-	425	10	0.57%
	-	-	-	-	-	-
Total	17,926		15.49%	14,082		19.03%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation, McKinney ISD, Collin College. Total City Employment provided by Texas Workforce Commission (TWC).

City of McKinney, Texas

Table 16

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government	101.5	109.8	121.8	124.0	131.0	134.0	143.5	148.0	151.5	154.5
Police	236.0	238.0	244.0	261.0	275.0	289.0	298.0	304.0	317.0	332.0
Fire	171.5	174.5	188.0	191.0	195.0	221.0	227.0	229.0	239.0	251.0
Libraries	38.6	40.0	41.0	41.0	41.0	42.9	44.8	45.8	47.1	46.6
Development	92.0	95.0	96.0	101.5	109.5	113.5	116.5	118.0	123.0	127.0
Parks and recreation	87.0	91.8	147.4	155.9	192.3	202.9	207.4	212.4	238.4	243.7
Public works	66.9	71.1	75.8	74.5	78.5	83.5	88.0	91.5	96.0	105.0
Water/wastewater	77.4	80.6	94.6	103.1	109.5	117.0	127.5	140.5	143.5	151.0
Surface water drainage	14.3	14.3	15.3	16.5	16.5	18.5	22.0	23.0	23.0	26.0
Solid Waste	13.0	13.0	13.0	14.5	16.0	16.5	20.5	20.5	19.5	20.5
Airport	23.0	23.5	23.0	24.0	24.0	25.0	29.0	29.0	30.0	33.0
Total^a	921.1	951.5	1,059.9	1,107.0	1,188.3	1,263.8	1,324.2	1,361.7	1,428.0	1,490.3

Source: City of McKinney Budget Book

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

City of McKinney, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year				
	2014	2015	2016	2017	2018
Police					
Number of police officers	188	192	193	209	209
Number of violations (citations)	16,966	14,524	13,380	17,504	13,767
Fire					
Number of fire fighters	161	162	177	183	186
Number of fire suppression runs	4,571	4,828	3,373	3,700	4,753
Number of EMS runs	7,170	7,642	9,537	10,333	10,297
Development Services					
Construction permits issued ^o	1,680	2,072	2,323	2,758	2,582
Estimated valuation ^o	\$ 687,820,980	\$ 972,479,911	\$ 1,013,504,432	\$ 1,312,108,523	\$ 1,111,169,537
Public Works					
Streets paved (miles)	4	4	3	6	2
Street signs repaired/installed	1,750	2,979	1,483	835	1,330
Parks and Recreation					
Park land and municipal acreage maintained	1,834	1,834	1,857	1,834	1,952
Rounds of golf	31,400	28,500	27,314	27,138	23,958
Library					
Volumes in collection ^o	232,814	223,674	217,402	210,936	209,120
Annual circulation	1,205,789	1,401,625	1,640,857	1,741,330	1,820,255
Water and Wastewater					
Number of water customers	49,456	51,636	52,922	56,512	58,955
Average daily water consumption (millions of gallons)	24.0	25.3	28.8	28.8	32.2
Maximum storage capacity (millions of gallons)	46.0	48.0	62.0	62.0	62.0
Solid Waste					
Recyclables collected (tons) ^c	23,480	19,723	19,991	22,390	28,550
Solid waste collected (tons)	127,467	138,488	135,425	141,923	148,247
Airport ^d					
AvGas Gallons Sold	-	158,549	186,763	202,756	211,833
Jet Fuel Gallons Sold	-	986,105	1,167,799	1,180,926	1,272,211
Aircraft Operations	-	105,232	118,684	132,349	154,492

Source: City Departments

- Note:**
- ^o Includes residential, commercial & vertical mixed-use permits for new buildings and additions; does not include minor additions and alterations.
 - ^o Includes books and media.
 - ^c Recyclable material, by definition, comprises both MRF tons (residential and commercial) and compost tons.
 - ^d Acquired airport fixed based operations (FBO) in FY14. First full year of airport FBO recorded in FY15.

Table 17

Fiscal Year				
2019	2020	2021	2022	2023
218	226	230	241	251
12,393	7,206	8,397	8,600	8,914
208	209	218	222	229
4,283	4,952	6,147	5,448	5,375
10,965	9,866	11,552	12,447	13,531
1,900	1,774	2,140	1,455	1,658
\$ 1,090,531,103	\$ 995,378,013	\$ 903,054,440	\$ 1,358,727,465	\$ 1,402,800,710
5	7	5	2	1
1,036	1,800	788	867	753
2,000	2,754	3,187	3,260	3,146
22,300	38,718	41,226	44,198	26,262
200,996	202,473	205,570	213,070	212,859
1,869,938	1,032,887	1,551,370	1,660,522	1,714,961
60,730	62,398	64,617	66,234	69,225
33.2	33.3	32	35	35
62.0	62.0	70	70	70
23,815	21,877	25,136	25,589	25,903
146,859	147,295	153,942	154,287	153,212
237,586	202,061	184,989	226,267	231,340
1,438,943	1,122,852	1,271,984	1,585,860	1,614,629
157,523	140,867	134,880	143,697	151,564

City of McKinney, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Table 18

Function/Program	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units ^u	141	153	153	144	151	153	157	159	181	186
Motorcycle Units	7	9	9	7	8	8	9	7	7	7
Skywatch Towers	2	2	2	2	2	3	2	2	2	2
Trailers	4	8	8	9	5	6	4	2	6	6
Fire										
Stations	8	8	8	8	9	9	10	10	10	10
Public Works										
Streets-Paved (miles) ^c	823.0	823.0	1,200.0	1,400.0	792.0	1,389.7	1,433.4	1,423.9	1,495.5	1,435.8
Streets-Graded (miles) ^c	15.6	16.8	16.8	10.1	10.1	191.1	220.9	187.9	183.5	146.8
Streets-Unimproved (miles)	3.5	1.4	1.4	2.5	16.9	21.6	40.6	33.6	35.5	19.9
Alleys (miles)	78.0	78.0	73.0	73.0	71.3	74.8	74.8	77.2	77.7	78.7
Street lights (Including US 75)	6,333	6,776	6,790	6,790	7,651	8,682	9,167	9,293	9,742.0	9,719.0
Parks and Recreation										
Park Acreage	2,247	2,247	2,310	2,396	2,509	2,509	2,550	2,830	2,903	2,903
Public Parks	40	40	41	41	40	44	44	44	48	49
Community/Recreation Centers	3	3	3	4	4	4	4	4	4	4
Public Swimming Pools	3	3	3	4	4	4	4	4	4	4
Splash Pads	7	7	8	8	8	9	9	9	10	11
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	24	24
Tennis Courts	13	13	13	13	13	23	24	24	24	29
Soccer Fields (regulation size)	22	22	22	22	22	22	25	25	24	24
Disc Golf Course	2	2	2	2	2	2	2	2	2	2
Dog Park	1	1	1	1	1	1	1	1	2	2
Skate Park	1	1	1	1	1	1	1	1	1	1
Ice Rink ^o	1	1	1	1	1	1	1	1	2	2
Municipal Golf Course ^d	1	1	1	1	1	1	1	1	1	1
Library										
Library	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	46.0	48.0	62.0	62.0	62.0	62.0	62.0	70.0	71.0	70.0
Water Mains (miles)	1,020.0	826.0	868.0	928.0	960.0	979.0	999.0	1,025.0	1,049.9	1,096.4
Fire Hydrants	7,823	8,030	8,384	9,042	9,466	9,769	10,173	10,530	10,848.0	11,345.0
Storm Sewer (miles)	428.0	430.0	450.0	483.0	499.0	520.0	532.5	576.6	590.5	584.5
Sanitary Sewers (miles)	672.0	628.0	653.0	693.0	713.0	718.5	731.0	741.0	757.4	781.8
Airport										
Dedicated airport property (acres)	745	745	745	774	774	935	935	935	935	935
Runway length (ft) x width (ft)	7,002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7002x150	7502x150

Source: City Departments

Note: ^o Per Police Department
^u City owned, privately operated
^c Changed from lane miles to center lane miles in FY19

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