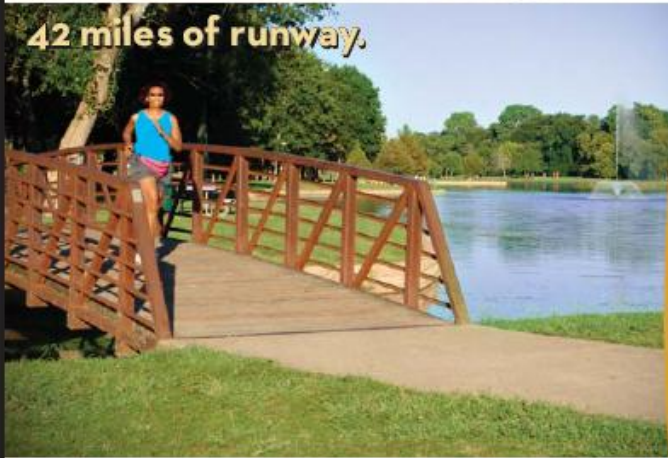




7001 feet of runway...



42 miles of runway.



Cultural history...



Economic future.



City of McKinney  
Texas

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
September 30, 2009

McKinney is one of the  
**Fastest Growing**  
cities in the **Nation!**



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

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2009**

**AS PREPARED BY THE  
FINANCE DEPARTMENT**



**City of McKinney  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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# **INTRODUCTORY SECTION**





**CITY OF McKINNEY  
Finance Department**

222 N. Tennessee Street  
McKinney, Texas 75069  
(972) 547-7530  
(972) 547-2611 Fax  
[www.mckinneytexas.org](http://www.mckinneytexas.org)

February 25, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2009, is submitted in accordance with Section 48 in the City Charter.

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

Weaver & Tidwell LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of McKinney financial statements for the year ended September 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

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

## **PROFILE OF THE GOVERNMENT**

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 62.9 square miles and serves a population of 120,978. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members

of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis. Both the mayor and council members serve three-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

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

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), and McKinney Airport Development Corporation (MADC) are included in the financial statements as discretely presented component units.

## LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. In 2008, McKinney was in Money Magazine's top 15 "Best Places to Live". In 2009, McKinney was listed in Forbes Magazine's top 10 "Best Places to Move." McKinney is rich with industry – medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 1000 corporations to home-grown businesses. The impressive list includes: Raytheon, Torchmark, Erchonia, Encore Wire, Experian, StatLab and Vector Systems. McKinney's small business community is equally as important to the vitality of McKinney's economy. McKinney's unique downtown is one of the oldest and most successful in the state.

The City offers inducements such as the Collin County Regional Airport and the McKinney Economic Development Corporation (MEDC), which spur quality business growth. McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

## LONG-TERM FINANCIAL PLANNING

Unreserved, undesignated fund balance in the general fund (35% of total general fund revenues) exceeds the policy requirement of 25% set by the City Council. The City will maintain the percentage of the tax rate allocated to the general fund at a minimum of 65% level. As a part of the long-term financial plan, the City plans to issue about \$137 million general obligation debts and \$63 million revenue bonds in the coming five years.

The City of McKinney has a five-year financial plan and a five-year capital improvement plan. Major capital improvement plans for FY2010 include: **airport projects** on air traffic control tower replacement and replacement runway; **facilities projects** on County Government Center

Purchase and Future Municipal Center; **parks and recreation projects** on automatic irrigation system, Bonnie Wenk Park, land acquisition on US 380 Community Park, Recreation Center/Aquatic Complex Phase I, Tennis Complex and Wilson Creek Development; **street and utility projects** on Infrastructure Initiative, Alma Road Extension, Bloomdale Road (US 75 to Shawnee), Custer Road Design (US 380 to FM 1461), FM 1461, FM 546, Intersection Improvements, Lake Forest (US 380 to Wilmeth), Ridge Road (Creekside – US 380), and Traffic Signalization; **water and sewer projects on** Hardin Elevated Storage Tank; US 75 Water Main Relocation, Water Main – 850 Connection and US 75 Wastewater Relocation.

## **RELEVANT FINANCIAL POLICIES**

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, risk management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

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

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year end. 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 agencies of the City of McKinney are required to submit requests for appropriation to the Director of Finance on or before June each year. These requests are used to develop a proposed budget. The proposed budget is then presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City of McKinney's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the Director of Finance or City Manager. Transfers between funds or additional appropriation require the approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

## **MAJOR INITIATIVES**

For Fiscal Year 2009-10, priority projects for the City of McKinney include: airport replacement runway and airport tower, community/aquatic center, parkland acquisition, financial and capital improvement software, Ridge Road – South of US 380, Custer Road – Stonebridge to US 380, Lake Forest Drive – US 380 to Wilmeth, Infrastructure Initiative, US 75 construction by TxDOT, SH 121 construction by NTTA.

## AWARDS AND ACKNOWLEDGEMENTS

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2008. This was the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2008. This is the twenty-fifth 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.

**Acknowledgments.** The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance/Accounting 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 unfailing support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,



Jennifer O. Fung, CPA  
Executive Director of Finance



Jason Weeks  
Assistant Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of McKinney  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

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

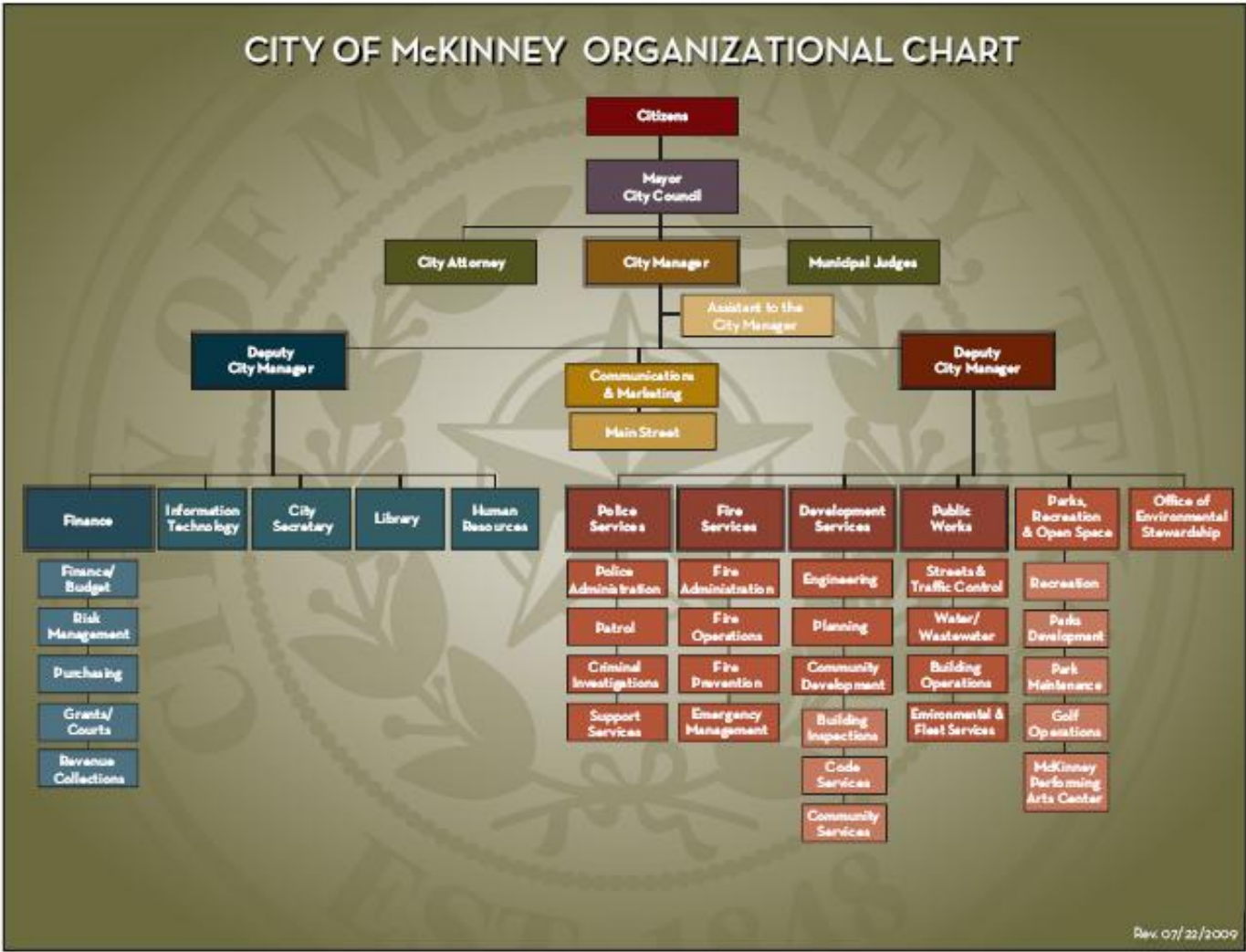


President

Executive Director



# CITY OF MCKINNEY ORGANIZATION FY 2008-2009



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

## **CITY COUNCIL**

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

## **CITY MANAGER**

Frank Ragan

## **EXECUTIVE DIRECTOR OF FINANCE**

Jennifer O. Fung

## **ASSISTANT FINANCE DIRECTOR**

Jason Weeks

# **FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of McKinney, Texas

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney (the City) as of and for the year ended September 30, 2009 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administration. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position, where applicable, cash flows and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

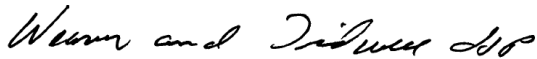
The accompanying management's discussion and analysis (on pages 3 through 13) and the schedules of funding progress for the Texas Municipal Retirement System and Other Postemployment Benefits (on pages 73 and 74) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

City of McKinney  
February 25, 2010

Page 2

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of McKinney's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedule for the Debt Service Fund, and the schedules of capital assets used in operations of Governmental Funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
February 25, 2010

## 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, 2009. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

### I. FINANCIAL HIGHLIGHTS

- The assets of the City of McKinney exceeded its liabilities at September 30, 2009 by \$663 million (Net Assets). Of this amount, \$457 million (69%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net assets restricted for specific purposes total \$57 million (9%). The remaining \$149 million (22%) are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net assets increased by \$75 million. Unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$34 million.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$124 million, an increase of \$4 million in comparison to the prior year. Approximately \$32 million, or 26%, of the fund balance is available for spending at the government's discretion (unreserved fund balance).
- Within the combined fund balances, \$1 million is reserved for inventory and prepaid items, \$13 million is for notes from component units and debt services, \$77 million is for street construction and other capital projects, and \$2 million is designated by management for risk reserve. Fund balance of \$2 million in the special revenue funds contains grant and other spending restrictions. The remaining \$29 million is unreserved and undesignated fund balance in the general fund and can be used for any lawful purpose. The unreserved and undesignated general fund balance is equal to 33% of total general fund expenditures.
- On a government-wide basis, the City's total liabilities increased by \$19 million (6%) during the current fiscal year. The key factor in this increase was the issuance of \$7 million in general obligation bonds, \$14 million in certificates of obligation, \$7 million of taxable certificates of obligation and \$10 million in revenue bonds for the Water and Wastewater Fund.

### II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The City of McKinney maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and street construction fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison statements have been provided for the general fund and the debt service fund to demonstrate compliance with the budget.

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

**Proprietary funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City does not utilize any internal service funds. The City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 26-29.

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

The basic fiduciary fund financial statements can be found on page 30.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-71.

**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.

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 78-100 of this report.

### III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets exceeded liabilities by \$663 million as of September 30, 2009.

By far the largest portion of the City's net assets, \$457 million (69%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net assets (\$57 million, or 9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$149 million, or 22%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

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

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2008</b>
Current and other assets	\$ 146	\$ 145	\$ 79	\$ 78	\$ 225	\$ 223
Capital assets	484	421	275	247	759	668
<b>Total Assets</b>	<u>630</u>	<u>566</u>	<u>354</u>	<u>325</u>	<u>984</u>	<u>891</u>
Long-term liabilities outstanding	207	188	77	71	284	259
Other liabilities	28	31	9	12	37	43
<b>Total Liabilities</b>	<u>235</u>	<u>219</u>	<u>86</u>	<u>83</u>	<u>321</u>	<u>302</u>
<b>Net Assets</b>						
Invested in capital assets (net of related debt)	285	240	172	181	457	421
Restricted	50	48	7	5	57	53
Unrestricted	60	59	89	56	149	115
<b>Total Net Assets</b>	<u>\$ 395</u>	<u>\$ 347</u>	<u>\$ 268</u>	<u>\$ 242</u>	<u>\$ 663</u>	<u>\$ 589</u>

There was an increase of \$45 million in net assets invested in capital assets net of related debt for government activities. This was due mainly to developer and intergovernmental contributions in infrastructure. The \$9 million decrease in net assets invested in capital assets net of related debt for business-type activities was due to more debts related to the acquisition of capital assets.

The City of McKinney's net assets increased by \$74 million during the current fiscal year, an increase in governmental net assets of \$48 million and an increase in business-type activities of \$26 million. Details of the increase are listed in Table 2 Changes in Net Assets. Please see explanations for the increases in the sections for Governmental Activities and Business-type Activities.

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

	Governmental Activities		Business Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 12,135	\$ 13,238	\$ 53,636	\$ 47,229	\$ 65,771	\$ 60,467
Operating grants and contributions	1,932	5,469			1,932	5,469
Capital grants and contributions	63,619	25,486	21,663	10,892	85,282	36,378
General revenues:						
Property taxes	62,816	57,707			62,816	57,707
Sales taxes	17,079	17,636			17,079	17,636
Franchise taxes	9,724	9,634			9,724	9,634
Investment income	2,765	4,951	1,318	2,316	4,083	7,267
Other revenues	878	162	11	51	889	213
<b>Total revenues</b>	<b>170,948</b>	<b>134,283</b>	<b>76,628</b>	<b>60,488</b>	<b>247,576</b>	<b>194,771</b>
<b>Expenses:</b>						
General government	20,550	24,354			20,550	24,354
Police	20,881	19,725			20,881	19,725
Fire	19,371	17,477			19,371	17,477
Libraries	2,895	2,753			2,895	2,753
Development	10,112	10,270			10,112	10,270
Parks and recreation	9,384	8,645			9,384	8,645
Public works	30,725	38,499			30,725	38,499
Interest on long-term debt	9,046	7,980			9,046	7,980
Airport	1,850	8,542			1,850	8,542
Water/Wastewater			41,468	37,756	41,468	37,756
Solid Waste			5,724	5,493	5,724	5,493
Golf Course			188	971	188	971
Surface Water Drainage			877	64	877	64
<b>Total expenses</b>	<b>124,814</b>	<b>138,245</b>	<b>48,257</b>	<b>44,284</b>	<b>173,071</b>	<b>182,529</b>
<b>Increase in net assets before transfers</b>	<b>46,134</b>	<b>(3,962)</b>	<b>28,371</b>	<b>16,204</b>	<b>74,505</b>	<b>12,242</b>
<b>Transfers</b>	<b>2,834</b>	<b>2,288</b>	<b>(2,834)</b>	<b>(2,288)</b>	<b>0</b>	<b>0</b>
<b>Increase in net assets</b>	<b>48,968</b>	<b>(1,674)</b>	<b>25,537</b>	<b>13,916</b>	<b>74,505</b>	<b>12,242</b>
<b>Net Assets - Beginning</b>	<b>346,731</b>	<b>348,405</b>	<b>241,985</b>	<b>228,069</b>	<b>588,716</b>	<b>576,474</b>
<b>Net Assets - Ending</b>	<b>\$ 395,699</b>	<b>\$ 346,731</b>	<b>\$ 267,522</b>	<b>\$ 241,985</b>	<b>\$ 663,221</b>	<b>\$ 588,716</b>

**Governmental activities.**

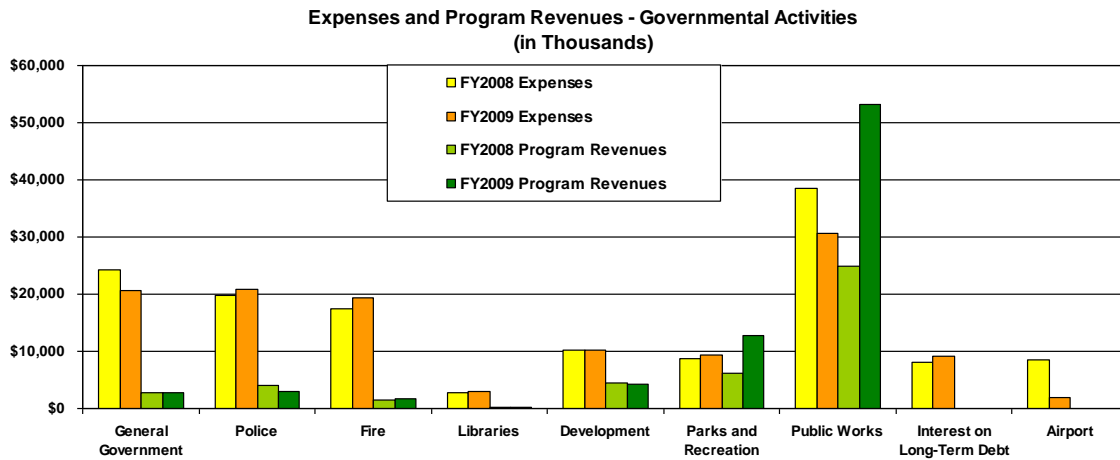
Governmental activities increased the City’s net assets by \$49 million thereby accounting for 66% of the total growth in net assets. Key elements of this increase are as follows:

Revenues

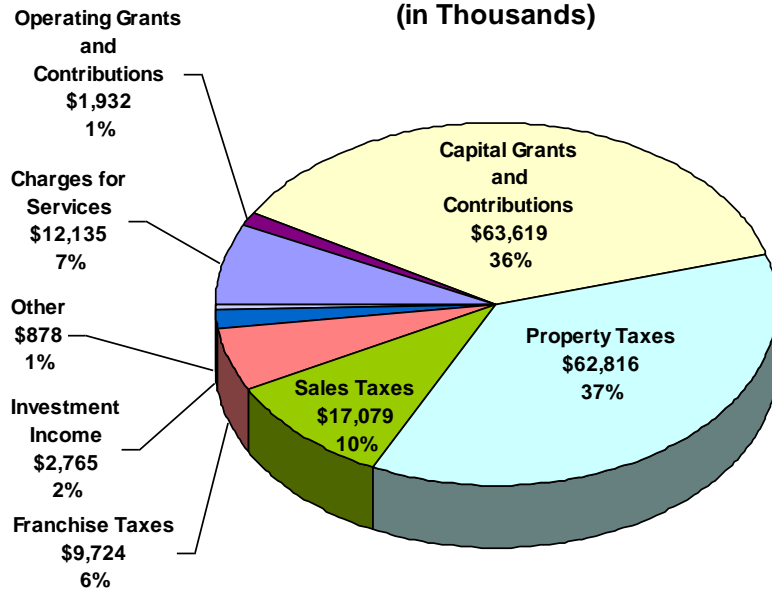
- Capital grants and contributions totaled \$63.6 million and increased by \$38.1 million (150%). This is due mainly to donated and contributed infrastructure from developers and intergovernmental grants. The main contributions were Custer Road (US 380 to FM 1461); Lake Forest Drive (Boyd to US 380) and VCIM Projects (Alma Road and Collin McKinney Parkway).
- Property taxes totaled \$62.8 million and increased by \$5.1 million primarily due to the approximately \$892 million growth in assessed value.
- Investment income was at \$2.8 million, a decrease of \$2.2 million. This was due to lower interest rates and lower cash and investment balances.

Expenses

- Total expenses decreased because of less spending in capital improvement projects.
- Expenses for public work decreased by \$7.8 million (20%) due to lower capital improvements in street construction for the current year. Collin County has delayed many street projects and affected the City’s street program.
- Expenses for airport decreased by \$6.7 million (78%) due to significantly higher infrastructure expenses for the prior year.
- Expenses for general government decreased by \$3.8 million (16%) due to exceptional high expenditures in the prior year.
- Expenses for police increased due in large part to an increased number of police officers.
- Expenses for fire increased due to the opening of Fire Station #7 with 18 additional firefighters.



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



**Business-type activities.**

Business-type activities increased the City of McKinney’s net assets by \$25.5 million accounting for 34% of the total growth in the government’s net assets. Key elements of this increase are as follows:

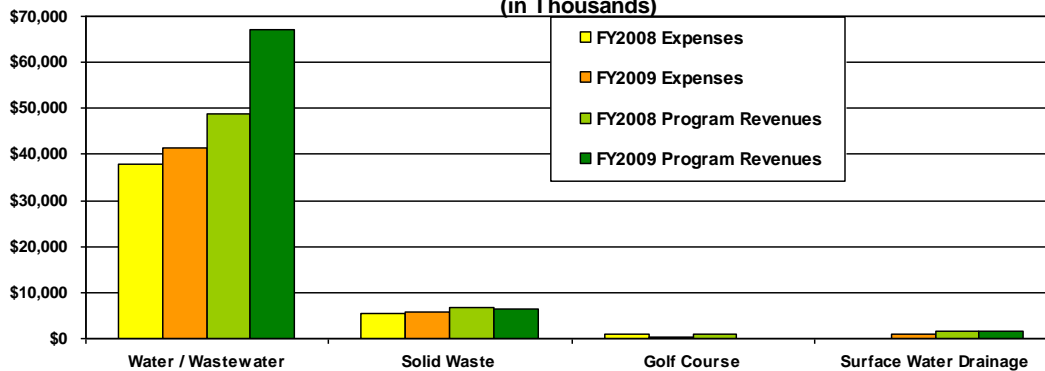
Revenues

- Capital grants and contributions increased \$10.1 million (93%) due in large part to developer contributions of donated water and sewer systems in the northwest side of the City.
- Charges for Services were \$53.6 million and increased by \$6.4 million or 14% because of the 20% water and wastewater rate increase.

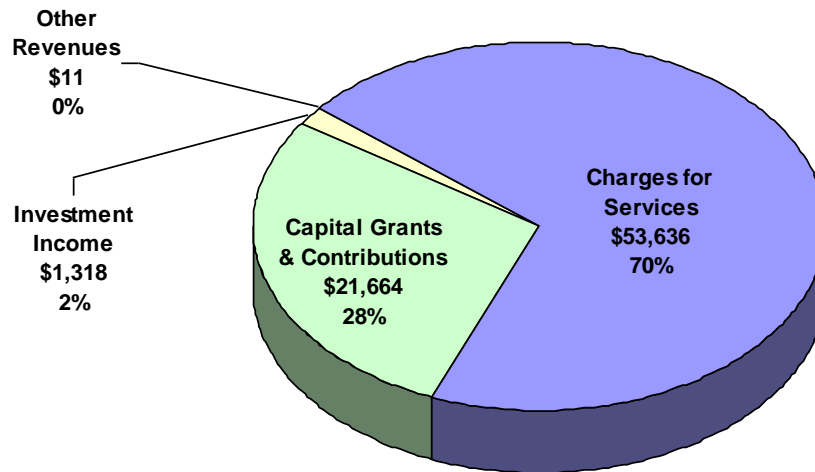
Expenses

- Expenses in water/wastewater increased \$3.7 million mainly due to the increase in charges on water purchase and sewer service charges from North Texas Municipal Water District.

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



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



## Financial Analysis of the City's Fund

### 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, unreserved 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 \$124.1 million, an increase of \$4.5 million (4%) in comparison with the prior year. Approximately \$31.8 million or 26% of this total amount constitutes unreserved and undesignated fund balance, which is available for spending at the government's discretion. The City designated \$1.6 million in the general fund for risk/insurance claims. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to the following: 1) to pay debt service (\$2.7 million), 2) for street construction (\$42.2 million), 3) for other capital projects (\$34.4 million), 4) for receivable from component units (\$10.4 million), and 5) for other obligations (\$1.1 million).

**General Fund.** The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unreserved and undesignated general fund balance was \$29.4 million, while total fund balance was \$41.7 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 33% of total general fund expenditures, while total fund balance represents 47% of total general fund expenditures.

The general fund balance decreased by \$2.6 million or 6% during the current fiscal year. Key factors for this decrease are as follows:

- There was an increase in general fund expenditures, the most significant of these being for general government. The increase was \$2.4 million and was due to employee insurance and information technology cost increase. The other significant increases were in fire (\$1.1 million increase) and police (\$0.8 million increase). The increases are due to staffing level increases with addition of fire station #7 and more police officers.
- The overall decrease in fund balance was offset by increase in property taxes by \$2.3 million (5%) due to increase in assessed valuation.
- Charges for Service increased by \$0.48 million or 11%. This is mainly due to slight population growth and numerous small changes in rates.
- Revenues were lower for licenses and permits, investment income, sales and use taxes, grants and

miscellaneous income. The total decrease of \$1.9 million or 2.3% is due to fewer construction developments, lower interest rates, and economic downturn.

- Transfers in from other funds increased by \$0.4 million and transfers to other funds decreased by \$0.6 million in comparison to the previous fiscal year.

**Debt Service Fund.** The debt service fund had a total fund balance of \$2.7 million and was reserved for the payment of debt. There was a net increase of \$0.2 million in fund balance during the current year due to higher property tax revenue. The increase in the debt service fund balance was within the budget plan.

**Street Construction Fund.** The Street Construction Fund is the largest governmental capital project fund. It has an ending fund balance of \$42.2 million. Total expenditures for current year were \$16.4 million. The large fund balance indicated many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include: Wilcox, Graham & Jefferson; Broad Street & Wood Street; Lake Forest Drive; Traffic Signals; Custer Road; and reconstruction of East of McDonald.

**Facilities Improvement Fund.** The Facilities Improvement Fund is the other major governmental capital project fund. It had an ending fund balance of \$10.9 million. Total expenditures for the current year were \$18 million. Major expenditures incurred during the current year were: Collin County Government Center Purchase, Redundant Radio System, Old Public Safety Building Renovation and Dr Pepper Starcenter.

### 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, 2009, net assets of the proprietary funds included the following amounts of unrestricted net assets:

**Water and Wastewater Fund.** Water and Wastewater Fund net assets increased by \$24.9 million. Operating revenues totaled \$45.5 million, an increase of \$7.5 million or 16%. This was mainly due to the increase of the water and sewer rate. Operating expenses in the Water and Wastewater Fund were \$38 million, an increase of \$3.4 million or 9% over the prior year. This increase was primarily due to payments to North Texas Municipal Water District (NTMWD) for water purchases and sewer service charges.

**Solid Waste Fund.** The City's Solid Waste Fund net assets increased by \$0.5 million. Revenues totaled \$6.4 million, a slight decrease of \$0.3 million due to less commercial hauls. Expenses were at \$5.7 million, a slight increase of \$0.2 million or 4%. The increase was mainly due to charges by NTMWD.

**Golf Course Fund.** The Golf Course Fund had an operating loss of about \$108 thousand. Revenues were about \$79 thousand which was the contract fee. The only expense was depreciation at \$188 thousand. In October 2008, the management of the golf course was outsourced to a contractor DWW Golf Management. The contractor was responsible for all revenues and expenses. The contractor was charged a fee equal to 8% of the gross revenue.

**Surface Water Drainage Fund.** The Surface Water Drainage Fund operated with charges for services revenues exceeding expenses by \$0.2 million. Charges for services increased slightly from \$1.6 million to \$1.7 million. Expenses and transfers to capital projects were increased due to maintenance and capital improvement projects.

### General Fund Budgetary Highlights

During FY2008-09, the City Council of the City of McKinney amended the budget for the General Fund once. The amendment consists of re-appropriation of previous year carry over items.

With the adjustments made during FY2008-09, and a re-estimate based on year-to-date experience made in May 2009, the original budget was reduced by about \$0.5 million from \$95.6 million to \$95.1 million.

The actual expenditures for the year were \$88.5 million, which were \$6.6 million lower than the final budget. Reasons for the variances include projects that were not completed and therefore carried over to the next year, and cost savings due to staff turnover and vacancies.

#### IV. CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** At the end of the fiscal year, the City had \$760 million invested in a broad range of capital assets, including land and buildings, roads, bridges, drainage systems, park facilities, police and fire equipment. This amount represents a net increase (including additions and deductions) of \$73 million over the prior fiscal year.

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

	Governmental Activities		Business Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Land	\$ 8,960	\$ 8,260	\$ 6,525	\$ 1,329	\$ 15,485	\$ 9,589
Buildings	38,502	39,047	9,262	9,561	47,764	48,608
Infrastructure	296,619	264,329	224,656	198,595	521,275	462,924
Machinery and equipment	17,727	15,964	1,894	1,922	19,621	17,886
Construction in progress	122,157	93,550	32,675	35,510	154,832	129,060
<b>Total</b>	<b>\$ 483,965</b>	<b>\$ 421,150</b>	<b>\$ 275,012</b>	<b>\$ 246,917</b>	<b>\$ 758,977</b>	<b>\$ 668,067</b>

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

Project	(\$ in Thousands)
VCIM Projects: Alma, Collin McKinney Parkway	9,195
Bradley, Erwin & Coleman Reconstruction	2,781
Fenet, Howard & Seneca Reconstruction	1,269
Traffic Signals	3,415
University Pump Station 10MG Storage Tank	6,199
Bloomdale Pump Station Site Acquisition	5,196

A variety of water and wastewater projects were in progress during the year. Additional information on the City's capital assets can be found in the note (3)D to the financial statements.

**Long-term debt.** At year end, the City had \$294 million in general obligation bonds and certificates of obligation and revenue bonds. The total debt was \$270 million at the end of the prior fiscal year. This represents an increase of 9%. All outstanding debt is summarized below.

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

	Governmental Activities		Business Type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
General obligation bonds and certificates of obligations (backed by the City)	\$213,195	\$194,830	\$ -	\$ -	\$213,195	\$194,830
Revenue bonds (backed by fee revenues)	-	-	81,025	75,085	81,025	75,085
<b>Totals</b>	<b>\$213,195</b>	<b>\$194,830</b>	<b>\$81,025</b>	<b>\$75,085</b>	<b>\$294,220</b>	<b>\$269,915</b>

In May 2009, the City issued about \$7.2 million general obligation bonds, \$14.1 Certificates of Obligation, \$6.9 million in Taxable Certificates of Obligation, and \$9.8 million in water works revenue bonds. The City's general obligation bonds and revenue bonds were re-confirmed at AA+ by Standard and Poor's Corporation. Bond rating from Moody's Investor Services also remained the same at Aa2 for general obligation bonds and Aa3 for water works revenue bonds.

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

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

Although the economy is the primary factor, City's elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for the business-type activities. The financial forecast presented to the City Council in February 2009 projected a \$5.1 million General Fund budget deficit for fiscal year 2009. In response, fees were increased for certain services and most of the vacant positions were frozen.

The property tax rate for fiscal year 2010 remains the same at \$0.5855 per \$100 assessed value. The homestead exemptions for elderly and disabled persons are fifty thousand dollars.

At the close of the fiscal year 2009, unreserved and undesignated general fund balance decreased to \$29.4 million. The City has appropriated \$6.9 million of this amount for spending in the fiscal year 2010 budget. The use of available fund balance is intended to support operation and capital projects.

For fiscal year 2010, the water rate and wastewater rates are increased. The water volume rate has increased from \$2.88 to \$3.03 per thousand gallons for all commercial customers and residential, sprinkler/irrigation customers with consumption of up to 15,000 gallons. The water volume rate for residential and sprinkler/irrigation customers is at \$3.68 per thousand gallons if the monthly consumption exceeds 15,000 gallons and \$4.47 per thousand gallons for residential and sprinkler/irrigation consumption over 40,000 gallons. Wastewater rate per thousand gallons of water used has increased from \$3.00 to \$3.15. The solid waste charge for residential households remains at \$15.20. This rate includes the single stream recycling program.

### **Requests For Information**

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



# **BASIC FINANCIAL STATEMENTS**



**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 83,166,835	\$ 13,921,436	\$ 97,088,271	\$ 12,261,547
Investments	39,983,725	3,008,800	42,992,525	8,343,075
Receivables (net of allowance for uncollectibles)	9,709,130	8,367,398	18,076,528	3,016,704
Internal balances	105,451	(105,451)	-	-
Due from other governments	1,234,373	627,640	1,862,013	50,000
Note receivable from component unit	10,355,000	-	10,355,000	-
Inventory	138,462	367,451	505,913	-
Prepaid items	916,371	741	917,112	16,160
Deferred charges	903,534	513,346	1,416,880	-
Restricted assets:				
Cash and cash equivalents	-	39,791,386	39,791,386	6,349,948
Investments	-	12,176,419	12,176,419	-
Accrued interest receivable	-	52,299	52,299	-
Capital assets:				
Non depreciable	131,117,448	39,199,706	170,317,154	51,359,922
Depreciable (net)	352,847,786	235,812,525	588,660,311	10,680,462
<b>Total Assets</b>	<b>630,478,115</b>	<b>353,733,696</b>	<b>984,211,811</b>	<b>92,077,818</b>
<b>LIABILITIES</b>				
Accounts payable	7,713,561	1,589,396	9,302,957	984,673
Other accrued liabilities	6,888,199	1,309,741	8,197,940	61,868
Estimated health claims	1,408,116	-	1,408,116	-
Unearned Revenue	90,238	-	90,238	-
Accrued interest payable	1,333,262	149,452	1,482,714	39,027
Deposits	343,063	1,989,806	2,332,869	17,714
Non Current Liabilities:				
Due within one year:				
Note payable to primary government	-	-	-	1,075,000
Compensated absences	695,712	33,042	728,754	28,438
Capital lease payable	63,562	-	63,562	-
Bonds payable	9,350,000	4,085,000	13,435,000	-
Due in more than one year:				
Note payable to primary government	-	-	-	9,280,000
Compensated absences	2,555,278	121,363	2,676,641	36,251
Premium on issuance	562,522	134,438	696,960	-
Arbitrage payable	370,279	191,455	561,734	-
Advanced refunding	(503,536)	(332,255)	(835,791)	-
Other long term debt	-	-	-	8,454,246
OPEB liability	63,408	-	63,408	-
Bonds payable	203,845,000	76,940,000	280,785,000	-
<b>Total Liabilities</b>	<b>234,778,664</b>	<b>86,211,438</b>	<b>320,990,102</b>	<b>19,977,217</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	285,415,013	171,936,373	457,351,386	51,867,683
Restricted for:				
Use of impact fees	5,849,676	2,083,128	7,932,804	-
Highways and streets	42,770,468	-	42,770,468	-
Capital projects	-	-	-	5,600,524
Debt service	1,812,651	4,151,257	5,963,908	726,570
Grants	62,137	-	62,137	-
Unrestricted	59,789,506	89,351,500	149,141,006	13,905,824
<b>Total Net Assets</b>	<b>\$ 395,699,451</b>	<b>\$ 267,522,258</b>	<b>\$ 663,221,709</b>	<b>\$ 72,100,601</b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Function/Program Activities	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
Governmental Activities:			
General government	\$ 20,549,889	\$ 2,692,338	\$ 97,594
Police	20,881,195	2,689,592	273,888
Fire	19,371,301	1,607,943	9,275
Libraries	2,894,683	71,437	93,192
Development	10,111,877	3,949,296	823,952
Parks and recreation	9,383,872	1,123,973	629,692
Public works	30,724,972	-	-
Interest on long-term debt	9,045,551	-	-
Airport	1,850,442	-	4,767
<b>Total governmental activities</b>	<b>124,813,782</b>	<b>12,134,579</b>	<b>1,932,360</b>
Business-type activities:			
Water/wastewater	41,467,962	45,499,621	-
Solid waste	5,724,412	6,372,156	-
Golf course	187,769	79,451	-
Surface water drainage	877,048	1,684,830	-
<b>Total business-type activities</b>	<b>48,257,191</b>	<b>53,636,058</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 173,070,973</b>	<b>\$ 65,770,637</b>	<b>\$ 1,932,360</b>
<b>Component units:</b>			
Governmental Activities:			
McKinney Economic Development Corp	\$ 6,595,134	\$ 173,365	\$ -
McKinney Community Development Corp	9,970,484	-	-
<b>Total governmental activities</b>	<b>16,565,618</b>	<b>173,365</b>	<b>-</b>
Business-type activities:			
McKinney Airport Development Corp	1,776,835	457,208	829,703
<b>Total component units</b>	<b>\$ 18,342,453</b>	<b>\$ 630,573</b>	<b>\$ 829,703</b>

General revenues:  
  Property taxes  
  Sales taxes  
  Franchise taxes  
  Investment income  
  Gain on sale of capital assets  
  Miscellaneous  
Transfers  
**Total general revenues and transfers**  
Change in net assets  
Net assets - beginning  
Net assets - ending

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

<b>Net (Expense) Revenue and Changes in Net Assets</b>				
<b>Primary Government</b>				
<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ -	\$ (17,759,957)	\$ -	\$ (17,759,957)	\$ -
-	(17,917,715)	-	(17,917,715)	-
-	(17,754,083)	-	(17,754,083)	-
-	(2,730,054)	-	(2,730,054)	-
-	(5,338,629)	-	(5,338,629)	-
11,028,831	3,398,624	-	3,398,624	-
52,591,052	21,866,080	-	21,866,080	-
-	(9,045,551)	-	(9,045,551)	-
-	(1,845,675)	-	(1,845,675)	-
<u>63,619,883</u>	<u>(47,126,960)</u>	<u>-</u>	<u>(47,126,960)</u>	<u>-</u>
21,663,743	-	25,695,402	25,695,402	-
-	-	647,744	647,744	-
-	-	(108,318)	(108,318)	-
-	-	807,782	807,782	-
<u>21,663,743</u>	<u>-</u>	<u>27,042,610</u>	<u>27,042,610</u>	<u>-</u>
<u>\$ 85,283,626</u>	<u>\$ (47,126,960)</u>	<u>\$ 27,042,610</u>	<u>\$ (20,084,350)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ (6,421,769)
-	-	-	-	(9,970,484)
-	-	-	-	(16,392,253)
<u>2,362,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,872,963</u>
<u>\$ 2,362,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,519,290)</u>
	\$ 62,815,581	\$ -	\$ 62,815,581	\$ -
	17,079,384	-	17,079,384	16,310,570
	9,724,093	-	9,724,093	-
	2,764,578	1,318,112	4,082,690	889,287
	37,016	10,704	47,720	-
	840,762	-	840,762	-
	<u>2,833,843</u>	<u>(2,833,843)</u>	<u>-</u>	<u>-</u>
	<u>96,095,257</u>	<u>(1,505,027)</u>	<u>94,590,230</u>	<u>17,199,857</u>
	48,968,297	25,537,583	74,505,880	2,680,567
	<u>346,731,154</u>	<u>241,984,675</u>	<u>588,715,829</u>	<u>69,420,034</u>
	<u>\$ 395,699,451</u>	<u>\$ 267,522,258</u>	<u>\$ 663,221,709</u>	<u>\$ 72,100,601</u>

**CITY OF MCKINNEY, TEXAS  
BALANCE SHEET-GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<u>General</u>	<u>Debt Service</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,992,705	\$ 2,751,018
Investments	24,936,425	-
Receivables (net of allowance for uncollectibles):		
Delinquent property taxes	918,717	394,895
Accounts	3,152,140	-
Other taxes and fees	4,882,018	-
Accrued interest	214,633	-
Other receivable	-	-
Due from other funds	240,451	-
Due from other governments	143,217	-
Note receivable from component unit	10,355,000	-
Inventory	138,462	-
Prepaid items	173,215	-
<b>Total Assets</b>	<u>\$ 55,146,983</u>	<u>\$ 3,145,913</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 2,586,874	\$ -
Other accrued liabilities	4,426,770	-
Estimated health claims	1,408,116	-
Accrued interest payable	-	108,467
Deposits	343,063	-
Due to other funds	-	-
Deferred revenue:		
Delinquent property taxes	707,116	303,234
Accounts	3,103,788	-
Other taxes	854,776	-
<b>Total liabilities</b>	<u>13,430,503</u>	<u>411,701</u>
<b>FUND BALANCES:</b>		
<b>RESERVED FOR:</b>		
Inventory	138,462	-
Prepaid items	173,215	-
Note receivable from component unit	10,355,000	-
Debt service	-	2,734,212
Street construction	-	-
Capital projects funds	-	-
<b>UNRESERVED, DESIGNATED FOR:</b>		
Insurance risk	1,600,559	-
<b>UNRESERVED AND UNDESIGNATED:</b>		
General fund	29,449,244	-
Special revenue funds	-	-
<b>Total fund balances</b>	<u>41,716,480</u>	<u>2,734,212</u>
<b>Total liabilities and fund balances</b>	<u>\$ 55,146,983</u>	<u>\$ 3,145,913</u>

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

<u>Street Construction</u>	<u>Facilities Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 31,347,773	\$ 13,459,029	\$ 25,616,310	\$ 83,166,835
13,030,300	-	2,017,000	39,983,725
-	-	-	1,313,612
-	-	50	3,152,190
-	-	40,140	4,922,158
95,443	-	10,385	320,461
-	-	709	709
-	-	-	240,451
649,134	-	442,022	1,234,373
-	-	-	10,355,000
-	-	-	138,462
-	-	743,156	916,371
<u>\$ 45,122,650</u>	<u>\$ 13,459,029</u>	<u>\$ 28,869,772</u>	<u>\$ 145,744,347</u>
\$ 1,537,324	\$ 2,272,735	\$ 1,316,628	\$ 7,713,561
1,337,548	275,317	848,564	6,888,199
-	-	-	1,408,116
-	-	-	108,467
-	-	-	343,063
-	-	135,000	135,000
-	-	-	1,010,350
-	-	-	3,103,788
-	-	-	854,776
<u>2,874,872</u>	<u>2,548,052</u>	<u>2,300,192</u>	<u>21,565,320</u>
-	-	-	138,462
-	-	743,156	916,371
-	-	-	10,355,000
-	-	-	2,734,212
42,247,778	-	-	42,247,778
-	10,910,977	23,475,126	34,386,103
-	-	-	1,600,559
-	-	-	29,449,244
-	-	2,351,298	2,351,298
<u>42,247,778</u>	<u>10,910,977</u>	<u>26,569,580</u>	<u>124,179,027</u>
<u>\$ 45,122,650</u>	<u>\$ 13,459,029</u>	<u>\$ 28,869,772</u>	<u>\$ 145,744,347</u>



**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

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Total fund balance-governmental funds.	\$ 124,179,027
Certain bond related items are expensed at the fund level, but are capitalized at the government-wide level and amortized over the life of the asset.	903,534
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	698,067,310
Accumulated depreciation has not been included in the governmental fund financial statements.	(214,102,076)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(3,250,990)
Bonds payable and contractual obligations have not been included in the governmental fund financial statements.	(213,195,000)
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.	503,536
Arbitrage liability has not been included in the governmental fund financial statements.	(370,279)
OPEB liability has not been included in the governmental fund financial statements.	(63,408)
Capital leases have not been included in the governmental fund financial statements.	(63,562)
Premiums on issuance of debt were not recognized on the balance sheet for governmental funds.	(562,522)
Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statement.	4,878,676
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(1,224,795)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 395,699,451</u></u>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>General</u>	<u>Debt Service</u>
<b>REVENUES</b>		
Property taxes	\$ 43,778,789	\$ 19,053,706
Sales and use taxes	16,541,102	-
Franchise fees	9,759,548	-
Licenses and permits	4,726,614	-
Intergovernmental	353,959	-
Charges for services	4,541,221	-
Fines and forfeitures	2,255,275	-
Investment income	1,337,078	99,298
Contributions	57,468	-
Miscellaneous	171,890	-
<b>Total Revenues</b>	<u>83,522,944</u>	<u>19,153,004</u>
<b>EXPENDITURES</b>		
Current:		
General government	18,120,121	-
Police	19,869,097	-
Fire	17,874,507	-
Libraries	2,638,136	-
Development	8,437,658	-
Parks and recreation	6,337,234	-
Public works	10,489,185	-
Airport	750,442	-
Debt Service:		
Principal retirement	-	9,905,035
Interest and fiscal charges	-	9,008,269
Capital Expenditures:		
General government	1,592,027	-
Police	757,195	-
Fire	923,656	-
Libraries	37,436	-
Development	23,175	-
Parks and recreation	149,035	-
Public works	459,349	-
<b>Total expenditures</b>	<u>88,458,253</u>	<u>18,913,304</u>
Excess (deficiency) of revenues over expenditures	<u>(4,935,309)</u>	<u>239,700</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Issuance of long-term debt	-	-
Proceeds from sale of property	85,850	-
Transfers in	3,290,243	-
Transfers out	(1,007,469)	-
<b>Total other financing sources (uses)</b>	<u>2,368,624</u>	<u>-</u>
Net change in fund balances	(2,566,685)	239,700
Fund balances, beginning of year	44,283,165	2,494,512
Fund balances, end of year	<u>\$ 41,716,480</u>	<u>\$ 2,734,212</u>

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

<u>Street Construction</u>	<u>Facilities Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 62,832,495
-	-	538,282	17,079,384
-	-	-	9,759,548
-	-	-	4,726,614
13,434,103	-	1,615,429	15,403,491
-	-	326,440	4,867,661
-	-	21,079	2,276,354
892,687	50,838	361,942	2,741,843
3,248,487	5,500,000	5,862,186	14,668,141
-	-	730,332	902,222
<u>17,575,277</u>	<u>5,550,838</u>	<u>9,455,690</u>	<u>135,257,753</u>
-	125,000	516,739	18,761,860
-	-	53,927	19,923,024
-	-	19,981	17,894,488
-	-	214	2,638,350
-	-	1,352,555	9,790,213
-	-	1,061,930	7,399,164
1,777,515	-	9,220	12,275,920
-	-	1,100,000	1,850,442
-	-	-	9,905,035
-	-	-	9,008,269
-	5,878,181	-	7,470,208
-	2,000	24,309	783,504
-	-	2,738,051	3,661,707
-	-	5,874,869	5,912,305
-	-	-	23,175
-	12,011,137	4,814,606	16,974,778
<u>14,590,409</u>	<u>-</u>	<u>2,617,928</u>	<u>17,667,686</u>
<u>16,367,924</u>	<u>18,016,318</u>	<u>20,184,329</u>	<u>161,940,128</u>
<u>1,207,353</u>	<u>(12,465,480)</u>	<u>(10,728,639)</u>	<u>(26,682,375)</u>
1,126,474	19,650,000	7,433,526	28,210,000
-	-	7,451	93,301
-	109,100	1,539,454	4,938,797
<u>(410,000)</u>	<u>(155,762)</u>	<u>(531,723)</u>	<u>(2,104,954)</u>
<u>716,474</u>	<u>19,603,338</u>	<u>8,448,708</u>	<u>31,137,144</u>
1,923,827	7,137,858	(2,279,931)	4,454,769
<u>40,323,951</u>	<u>3,773,119</u>	<u>28,849,511</u>	<u>119,724,258</u>
<u>\$ 42,247,778</u>	<u>\$ 10,910,977</u>	<u>\$ 26,569,580</u>	<u>\$ 124,179,027</u>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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Net change in fund balances- total governmental funds.	\$ 4,454,769
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 2009 capital outlays is to increase net assets.	52,493,363
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.	(25,051,428)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	9,905,035
Current year bond proceeds and capital leases are other finance sources in the fund financial statements, but are shown as an increase in the liabilities government-wide financial statements.	(28,210,000)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	64,900
Bond issuance costs are expenditures in the fund financial statements when debt is issued, but are amortized over the term of the bond in the government-wide financial statements.	87,166
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	(456,670)
Changes in the other post employment benefit assets and liabilities are not reported at the fund level; however they are reported at the government-wide level.	89,003
Premium and discounts are recognized in the fund financial statements as other financing sources or uses, but they are amortized over the term of the bonds in the government-wide financial statements.	73,383
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	202,182
Arbitrage liabilities are accrued at the government-wide level, but not at the fund level. The current year change in the liability is reported as a reduction of expenses in the statement of activities.	22,735
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	35,428,550
Amortization of deferred refunding amounts is not recognized in the governmental funds. The effect of recording current years amortization is to decrease net assets.	(78,406)
In governmental fund financial statements the proceeds from a sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	<u>(56,285)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 48,968,297</u></u></b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES- BUDGET (GAAP BASIS) AND ACTUAL-GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amount</u>	
<b>REVENUES</b>				
Property taxes	\$ 43,279,638	\$ 43,595,205	\$ 43,778,789	\$ 183,584
Sales and use taxes	18,874,000	16,421,730	16,541,102	119,372
Franchise fees	9,623,000	10,254,380	9,759,548	(494,832)
Licenses and permits	5,520,180	4,239,223	4,726,614	487,391
Intergovernmental	753,358	417,903	353,959	(63,944)
Charges for services	4,294,583	4,544,423	4,541,221	(3,202)
Fines and forfeitures	2,332,739	2,237,722	2,255,275	17,553
Investment income	2,000,000	1,000,000	1,337,078	337,078
Contributions	-	40,930	57,468	16,538
Miscellaneous	171,520	116,666	171,890	55,224
<b>Total revenues</b>	<b>86,849,018</b>	<b>82,868,182</b>	<b>83,522,944</b>	<b>654,762</b>
<b>EXPENDITURES</b>				
Current Expenditures:				
General government	23,444,688	19,910,413	18,120,121	1,790,292
Police	20,474,398	20,627,180	19,869,097	758,083
Fire	16,801,880	18,020,237	17,874,507	145,730
Libraries	3,045,532	2,875,671	2,638,136	237,535
Development	9,409,667	9,554,135	8,437,658	1,116,477
Parks and recreation	6,536,702	6,753,765	6,337,234	416,531
Public works	11,331,677	10,777,818	10,489,185	288,633
Payments to Component unit	1,122,925	750,442	750,442	-
Capital Expenditures:				
General government	1,120,000	2,324,012	1,592,027	731,985
Police	785,363	841,711	757,195	84,516
Fire	593,778	1,731,902	923,656	808,246
Libraries	20,500	37,436	37,436	-
Development	346,000	23,175	23,175	-
Parks and recreation	161,500	149,035	149,035	-
Public works	422,000	708,902	459,349	249,553
<b>Total expenditures</b>	<b>95,616,610</b>	<b>95,085,834</b>	<b>88,458,253</b>	<b>6,627,581</b>
Excess (deficiency) of revenues over expenditures	<b>(8,767,592)</b>	<b>(12,217,652)</b>	<b>(4,935,309)</b>	<b>7,282,343</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	30,000	68,076	85,850	17,774
Transfers in	2,502,189	3,266,139	3,290,243	24,104
Transfers out	(984,395)	(1,017,469)	(1,007,469)	10,000
<b>Total other financing sources (uses)</b>	<b>1,547,794</b>	<b>2,316,746</b>	<b>2,368,624</b>	<b>51,878</b>
Net change in fund balances	(7,219,798)	(9,900,906)	(2,566,685)	7,334,221
Fund balances, beginning of year	44,283,165	44,283,165	44,283,165	-
Fund balances, end of year	<b>\$ 37,063,367</b>	<b>\$ 34,382,259</b>	<b>\$ 41,716,480</b>	<b>\$ 7,334,221</b>

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

**CITY OF MCKINNEY , TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total</b>
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Other Enterprise Funds</b>	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 4,826,059	\$ 7,669,477	\$ 1,425,900	\$ 13,921,436
Investments	-	3,008,800	-	3,008,800
Restricted assets:				
Cash and cash equivalents	39,781,386	-	10,000	39,791,386
Receivables (net of allowance for uncollectibles)	6,189,923	1,941,634	218,829	8,350,386
Accrued interest receivable	-	17,012	-	17,012
Due from other funds	8,272	-	-	8,272
Due from other governments	627,640	-	-	627,640
Inventory	362,159	5,292	-	367,451
Prepaid items	741	-	-	741
<b>Total current assets</b>	<b>51,796,180</b>	<b>12,642,215</b>	<b>1,654,729</b>	<b>66,093,124</b>
Non-current assets:				
Restricted assets:				
Investments	12,176,419	-	-	12,176,419
Accrued interest receivable	52,299	-	-	52,299
<b>Total restricted assets</b>	<b>12,228,718</b>	<b>-</b>	<b>-</b>	<b>12,228,718</b>
Deferred charges	513,346	-	-	513,346
Capital assets:				
Land	5,958,400	164,296	402,213	6,524,909
Buildings	12,038,005	164,402	539,769	12,742,176
Improvements other than buildings	264,796,403	635,972	2,522,526	267,954,901
Machinery and equipment	4,135,576	366,864	480,154	4,982,594
Construction in progress	32,674,797	-	-	32,674,797
Less accumulated depreciation	(47,476,355)	(681,013)	(1,709,778)	(49,867,146)
<b>Total capital assets (net of       accumulated depreciation)</b>	<b>272,126,826</b>	<b>650,521</b>	<b>2,234,884</b>	<b>275,012,231</b>
<b>Total non-current assets</b>	<b>284,868,890</b>	<b>650,521</b>	<b>2,234,884</b>	<b>287,754,295</b>
<b>TOTAL ASSETS</b>	<b>\$ 336,665,070</b>	<b>\$ 13,292,736</b>	<b>\$ 3,889,613</b>	<b>\$353,847,419</b>

(continued)

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

**CITY OF MCKINNEY , TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,322,219	\$ 66,276	\$ 31,355	\$ 1,419,850
Other accrued liabilities	326,418	558,639	34,244	919,301
Due to other funds	75,612	38,111	-	113,723
Compensated absences	27,295	4,371	1,376	33,042
Accrued interest payable	149,452	-	-	149,452
<b>Total current liabilities unrestricted</b>	<b>1,900,996</b>	<b>667,397</b>	<b>66,975</b>	<b>2,635,368</b>
Liabilities (payable from restricted assets):				
Accounts payable	169,546	-	-	169,546
Revenue bonds payable, current	4,085,000	-	-	4,085,000
Other accrued liabilities	390,440	-	-	390,440
Deposits	1,979,806	-	10,000	1,989,806
<b>Total current liabilities (payable from restricted assets)</b>	<b>6,624,792</b>	<b>-</b>	<b>10,000</b>	<b>6,634,792</b>
<b>Total current liabilities</b>	<b>8,525,788</b>	<b>667,397</b>	<b>76,975</b>	<b>9,270,160</b>
Non-current liabilities:				
Compensated absences	100,252	16,056	5,055	121,363
Revenue bonds, certificates of obligation payable	76,940,000	-	-	76,940,000
Arbitrage liability	191,455	-	-	191,455
Loss on refunding	(332,255)	-	-	(332,255)
Premium on bonds	134,438	-	-	134,438
<b>Total noncurrent liabilities</b>	<b>77,033,890</b>	<b>16,056</b>	<b>5,055</b>	<b>77,055,001</b>
<b>TOTAL LIABILITIES</b>	<b>85,559,678</b>	<b>683,453</b>	<b>82,030</b>	<b>86,325,161</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	169,050,968	650,521	2,234,884	171,936,373
Restricted for:				
Use of impact fees	2,083,128	-	-	2,083,128
Debt service	4,151,257	-	-	4,151,257
Unrestricted	75,820,039	11,958,762	1,572,699	89,351,500
<b>TOTAL NET ASSETS</b>	<b>\$ 251,105,392</b>	<b>\$ 12,609,283</b>	<b>\$ 3,807,583</b>	<b>\$267,522,258</b>

(concluded)

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

**CITY OF MCKINNEY , TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND  
NET ASSETS PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 45,468,349	\$ 6,353,650	\$ 1,693,042	\$ 53,515,041
Miscellaneous	31,272	18,506	71,239	121,017
<b>Total operating revenues</b>	<b>45,499,621</b>	<b>6,372,156</b>	<b>1,764,281</b>	<b>53,636,058</b>
<b>OPERATING EXPENSES</b>				
Personnel services	4,823,051	575,342	663,005	6,061,398
Materials and supplies	512,023	30,655	1,869	544,547
Maintenance	380,138	10,481	129,094	519,713
Purchase of water	22,177,705	-	-	22,177,705
Contract payments	2,730,111	4,973,894	-	7,704,005
Utilities	860,066	4,483	14,124	878,673
Depreciation	5,831,773	59,476	188,993	6,080,242
Other	674,489	70,081	67,732	812,302
<b>Total operating expenses</b>	<b>37,989,356</b>	<b>5,724,412</b>	<b>1,064,817</b>	<b>44,778,585</b>
Operating income	7,510,265	647,744	699,464	8,857,473
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental	627,640	-	-	627,640
Investment income	1,085,176	217,593	15,343	1,318,112
Interest and fiscal charges	(3,434,792)	-	-	(3,434,792)
Amortization	(43,814)	-	-	(43,814)
Gain from disposal of assets	10,704	-	-	10,704
<b>Total non-operating revenues (expenses)</b>	<b>(1,755,086)</b>	<b>217,593</b>	<b>15,343</b>	<b>(1,522,150)</b>
Income before contributions and transfers	5,755,179	865,337	714,807	7,335,323
Contributions	21,036,103	-	-	21,036,103
Transfers out	(1,877,442)	(360,201)	(596,200)	(2,833,843)
Change in net assets	24,913,840	505,136	118,607	25,537,583
<b>Total net assets-beginning</b>	<b>226,191,552</b>	<b>12,104,147</b>	<b>3,688,976</b>	<b>241,984,675</b>
<b>Total net assets-ending</b>	<b>\$ 251,105,392</b>	<b>\$12,609,283</b>	<b>\$ 3,807,583</b>	<b>\$ 267,522,258</b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Wastewater</b>	<b>Solid Waste</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 44,243,303	\$ 6,111,261	\$ 1,666,780	\$ 52,021,344
Other operating revenues	31,272	18,506	71,239	121,017
Cash payments to employees for services	(4,825,059)	(571,696)	(622,330)	(6,019,085)
Cash payments to suppliers for goods and services	(29,770,583)	(5,232,685)	(225,404)	(35,228,672)
<b>Net cash provided by operating activities</b>	<b>9,678,933</b>	<b>325,386</b>	<b>890,285</b>	<b>10,894,604</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(1,877,442)	(360,201)	(596,200)	(2,833,843)
<b>Cash used in noncapital financing activities</b>	<b>(1,877,442)</b>	<b>(360,201)</b>	<b>(596,200)</b>	<b>(2,833,843)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid	(3,830,000)	-	-	(3,830,000)
Bond proceeds	9,770,000	-	-	9,770,000
Debt issuance costs	(75,777)	-	-	(75,777)
Interest and fiscal charges on debt	(3,391,254)	-	-	(3,391,254)
Acquisition and construction of capital assets	(14,649,858)	(19,983)	(14,730)	(14,684,571)
Proceeds from sale of assets	12,260	-	-	12,260
Capital grants	627,640	-	-	627,640
Contributions	1,543,815	-	-	1,543,815
<b>Cash used in capital and related financing activities</b>	<b>(9,993,174)</b>	<b>(19,983)</b>	<b>(14,730)</b>	<b>(10,655,527)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investment securities	(21,115,000)	(5,000,000)	-	(26,115,000)
Proceeds from sale and maturities of securities	29,650,000	9,000,000	-	38,650,000
Investment earnings	1,214,130	260,911	15,343	1,490,384
<b>Cash provided by investing activities</b>	<b>9,749,130</b>	<b>4,260,911</b>	<b>15,343</b>	<b>14,025,384</b>
Net increase in cash	7,557,447	4,206,113	294,698	11,430,618
Cash and cash equivalents at beginning of year	37,049,998	3,463,364	1,141,202	41,654,564
Cash and cash equivalents at end of year	<b>\$ 44,607,445</b>	<b>\$ 7,669,477</b>	<b>\$ 1,435,900</b>	<b>\$ 53,712,822</b>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>				
Unrestricted cash and cash equivalents	\$ 4,826,059	\$ 7,669,477	\$ 1,425,900	\$ 13,921,436
Restricted cash and cash equivalents	39,781,386	-	10,000	39,791,386
	<b>\$ 44,607,445</b>	<b>\$ 7,669,477</b>	<b>\$ 1,435,900</b>	<b>\$ 53,712,822</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 7,510,265	\$ 647,744	\$ 699,464	\$ 8,857,473
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	5,831,773	59,476	188,993	6,080,242
Provision for bad debt	171,023	39,964	2,502	213,489
Change in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(1,339,284)	(282,353)	(28,764)	(1,650,401)
Due from other funds	(32)	-	-	(32)
Inventory	992	3,233	-	4,225
Prepaid expense	1,004	-	-	1,004
Increase (decrease) in liabilities:				
Accounts payable	(2,120,394)	435	(3,072)	(2,123,031)
Accrued liabilities	(297,680)	(155,590)	24,731	(428,539)
Due to other funds	(11,544)	14,024	-	2,480
Liability for accrued vacation	(10,437)	(1,547)	6,431	(5,553)
Deposits	(56,753)	-	-	(56,753)
Total adjustments	2,168,668	(322,358)	190,821	2,037,131
<b>Net cash provided by operating activities</b>	<b>\$ 9,678,933</b>	<b>\$ 325,386</b>	<b>\$ 890,285</b>	<b>\$ 10,894,604</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Non-cash change in fair value of assets	\$ (58,629)	\$ (10,000)	\$ -	\$ (68,629)
	<b>\$ 19,492,288</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,492,288</b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF AGENCY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
SEPTEMBER 30, 2009**

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	<u>Agency Fund</u>
	<u>BB Owen Park</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,739,367
<b>Total assets</b>	<u>\$ 10,739,367</u>
<b>LIABILITIES</b>	
Other accrued liabilities	\$ 10,739,367
<b>Total liabilities</b>	<u>\$ 10,739,367</u>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
SEPTEMBER 30, 2009**

	Governmental Activities		Business-Type	Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Airport Dev. Corporation	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 633,859	\$ 11,253,857	\$ 373,831	\$ 12,261,547
Investments	-	8,343,075	-	8,343,075
Receivables (net of allowance for uncollectibles)	1,589,612	1,425,331	1,761	3,016,704
Due from other governments	-	-	50,000	50,000
Prepaid items	12,605	3,270	285	16,160
Restricted assets:				
Cash and cash equivalents	726,570	-	5,623,378	6,349,948
Capital assets:				
Non depreciable	23,327,476	532,529	27,499,917	51,359,922
Depreciable (net)	147,497	-	10,532,965	10,680,462
<b>Total Assets</b>	<b>26,437,619</b>	<b>21,558,062</b>	<b>44,082,137</b>	<b>92,077,818</b>
<b>LIABILITIES</b>				
Accounts payable	229,326	580,896	174,451	984,673
Other accrued liabilities	33,175	8,038	20,655	61,868
Accrued interest payable	39,027	-	-	39,027
Deposits	-	-	17,714	17,714
Non Current Liabilities:				
Due within one year:				
Note payable to primary government	1,075,000	-	-	1,075,000
Compensated absences	6,242	2,140	20,056	28,438
Due in more than one year:				
Note payable to primary government	9,280,000	-	-	9,280,000
Compensated absences	22,928	7,862	5,461	36,251
Other long term debt	8,454,246	-	-	8,454,246
<b>Total Liabilities</b>	<b>19,139,944</b>	<b>598,936</b>	<b>238,337</b>	<b>19,977,217</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	13,302,272	532,529	38,032,882	51,867,683
Restricted for:				
Capital projects	-	-	5,600,524	5,600,524
Debt service	726,570	-	-	726,570
Unrestricted	(6,731,167)	20,426,597	210,394	13,905,824
<b>Total Net Assets</b>	<b>\$ 7,297,675</b>	<b>\$ 20,959,126</b>	<b>\$ 43,843,800</b>	<b>\$ 72,100,601</b>

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

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
McKinney Economic Development Corp	\$ 6,595,134	\$ 173,365	\$ -
McKinney Community Development Corp	9,970,484	-	-
<b>Total governmental activities</b>	<u>16,565,618</u>	<u>173,365</u>	<u>-</u>
<b>Business-type activities:</b>			
McKinney Airport Development Corp	1,776,835	457,208	829,703
<b>Total business-type activities</b>			
<b>Total component units</b>	<u>\$ 18,342,453</u>	<u>\$ 630,573</u>	<u>\$ 829,703</u>

General revenues:  
    Sales taxes  
    Investment income  
    Total general revenues and transfers  
    Change in net assets  
Net assets - beginning as restated  
Net assets - ending

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

Capital Grants and Contributions	Component Units			Total
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Airport Dev. Corporation	
\$ -	\$ (6,421,769)	\$ -	\$ -	\$ (6,421,769)
-	-	(9,970,484)	-	(9,970,484)
-	(6,421,769)	(9,970,484)	-	(16,392,253)
2,362,887	-	-	1,872,963	1,872,963
<u>\$ 2,362,887</u>	<u>\$ (6,421,769)</u>	<u>\$ (9,970,484)</u>	<u>\$ 1,872,963</u>	<u>\$ (14,519,290)</u>
	8,155,285	8,155,285	-	16,310,570
	300,517	518,473	70,297	889,287
	<u>8,455,802</u>	<u>8,673,758</u>	<u>70,297</u>	<u>17,199,857</u>
	2,034,033	(1,296,726)	1,943,260	2,680,567
	<u>5,263,642</u>	<u>22,255,852</u>	<u>41,900,540</u>	<u>69,420,034</u>
	<u>\$ 7,297,675</u>	<u>\$ 20,959,126</u>	<u>\$ 43,843,800</u>	<u>\$ 72,100,601</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2009.

**A. Financial Statement Presentation**

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

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

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund budget with actual results.

**B. Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units have been combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. Combining statements for the three discretely presented component units have also been presented in the basic financial statements following the fund information.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the combined financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter approved half-cent city sales tax, therefore, the organization is fiscally dependent upon the City. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC which is reported as a governmental fund. For more information about the MEDC, refer to Note 12.

The McKinney Community Development Corporation (MCDC) is also a discretely presented component unit in the combined financial statements. The MCDC is governed by a seven-member board appointed by the City Council, and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter approved half-cent city sales tax; therefore the organization is fiscally dependent upon the City. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC which is reported as a governmental fund. For more information about the MCDC, refer to Note 13.

The McKinney Airport Development Corporation (MADC) is a discretely presented component unit in the combined financial statements. The governing body of the MADC is appointed by the City Council and the MADC's operating and capital budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MADC is to provide an economic engine for the entire region facilitating general and business aviation and related services. The MADC operating budget is financed by contributions from the City's General Fund and charges for services, while the capital is financed primarily by Federal Aviation Administration grants passed through the Texas Department of Transportation Aviation Division and City backed general obligation and certificates of obligations bonds. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The MADC has a September 30 year-end. Under a contract with the MADC, the City performs financial services for the MADC. There are no separately issued financial statements of the MADC, which is reported as a proprietary fund. For more information about the MADC, refer to Note 14.

The McKinney Convention & Visitors Bureau (MCVB) is a blended presented component unit of the City. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The MCVB budget is financed by 7% of the 13% hotel/motel occupancy tax. Although it is a separate legal entity from the City, the Corporation is reported as if it were a part of the primary government because 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, which is reported as a non-major special revenue fund.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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

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

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

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

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

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

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989.

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

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Fund Accounting**

The following major funds are used by the City:

**1. Governmental Funds:**

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

- a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.
- c. **The Street Construction Fund** is used to account for the acquisition or construction of streets and storm sewer projects being financed from general obligation or certificate of obligation bond proceeds, grants, or transfers from other funds.
- d. **The Facilities Improvement Fund** is used to account for the financing and construction of new buildings and renovations.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Other Governmental Funds is a summarization of all of the non-major governmental funds.

**2. Proprietary Funds:**

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

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

- a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.
- b. **The Solid Waste Fund** is used to account for the operations of the solid waste management system.

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

**3. Agency fund:**

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

**E. Cash and Cash Equivalents**

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

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

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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

**F. Inventories, Prepaid Items and Deferred Charges**

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

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2009, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

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

**G. Interfund Receivables and Payables**

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

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

**H. Restricted Assets**

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

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

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.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**I. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For fiscal year 2009, no interest costs were capitalized in the Water and Wastewater Enterprise Fund.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/Structures	10 to 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 to 15
Motor Vehicles	2 to 10
Traffic Signals	10 to 15
Parks	20
Storm Sewer	50
Streets	20

**J. Compensated Absences**

Sick leave is recorded when used and employees are not compensated for unused sick leave. Vacation is earned in varying amounts up to a maximum of 15 days per year for employees with 10 years or more of service. Unused vacation leave may be carried forward from one year to the next and is limited to one and one half times the number of vacation days accumulated per year. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**K. Long-term Obligations**

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

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Gain or losses on refunding are amortized straight line over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

**L. Fund Equity**

The reserves for revenue bond retirement, debt service, inventory and prepaid assets are discussed in Notes 1(F) and 3(G). The City's reserves for escrow deposits, equipment, land, building and capital projects are exclusively for specifically identified capital outlays.

All fund balance reservations and designations are formally approved on an annual basis by the City Council.

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

**A. Budgetary Data**

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

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

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

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2009, the total amendments to the original adopted budgeted amounts resulted in a \$530,776 decrease in budgeted General Fund expenditures.

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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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. The reserves for capital outlay in the governmental funds are composed of bond fund proceeds and legally restricted funds to be used for capital construction. These reservations do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year or years.

**B. Excess of Expenditures over Appropriations**

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

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

**A. CASH AND INVESTMENTS**

Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 97,088,271
Investments	42,992,525
Restricted cash and cash equivalents	39,791,386
Restricted investments	<u>12,176,419</u>
Total cash and investments	<u><u>\$ 192,048,601</u></u>
Cash on hand	\$ 9,155
Deposits with financial institution	17,817,878
Investments	<u>174,221,568</u>
Total cash and investments	<u><u>\$ 192,048,601</u></u>

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

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

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

**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. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has a weighted average maturity limit of 730 days.

As of September 30, 2009, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
TexPool	\$ 9,000,366	42 days
LOGIC	88,334,845	56 days
Texas Daily	21,717,414	57 days
Federal Agency Securities	55,168,943	1541 days
	\$ 174,221,568	

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

The City's investments include \$16,522,050 of federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated above). The nature of the additional risk is due to step-up features on specified dates related to the investments as well as the fact that the issuer can call the issue prior to the step up date. The range of the step up is between 2.00% and 6.50%.

**CITY OF MCKINNEY, TEXAS  
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**Disclosures relating to credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, 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
TexPool	\$ 9,000,366	AAA/AAA-m	AAA-m
LOGIC	88,334,845	AAA/AAA-m	AAA-m
Texas Daily	21,717,414	AAA/AAA-m	AAA-m
Federal Agency Securities	55,168,943	AAA	AAA
	<u>\$ 174,221,568</u>		

**Concentration of credit risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2009, investments other than external investment pools that represent 5% or more of the City's investments are as follows:

Issuer	Investment Type	Reported Amount
FHLMC	Federal agency securities	\$ 20,576,250
FHLB	Federal agency securities	\$ 19,095,400
FNMA	Federal agency securities	\$ 9,638,669

**Custodial credit risk**

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

As of September 30, 2009 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  
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Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than the market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City is not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares. In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

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

**B. PROPERTY TAXES**

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

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2009, were 98.9% of the adjusted tax levy. Allocations of property tax levy by purpose for 2009 and the preceding year are as follows (amounts per \$100 assessed value):

	<u>2009</u>	<u>2008</u>
General Fund	\$ 0.40650	\$ 0.41923
Debt Service	\$ 0.17900	\$ 0.16627
	<u>\$ 0.58550</u>	<u>\$ 0.58550</u>

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

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

**CITY OF MCKINNEY, TEXAS**  
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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 2009 ad valorem tax rate of \$0.58550 is in compliance with the rate limitation.

**C. RECEIVABLES**

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Funds	Street				Total
	General	Debt Service	Construction	Other Funds	
Receivables					
Interest	\$ 214,633	\$ -	\$ 95,443	\$ 10,385	\$ 320,461
Taxes	5,800,735	394,895	-	40,140	6,235,770
Accounts	3,620,603	-	-	-	3,620,603
Other	-	-	-	759	759
Gross receivables	9,635,971	394,895	95,443	51,284	10,177,593
Less: allowance	(468,463)	-	-	-	(468,463)
Net total receivables	<u>\$9,167,508</u>	<u>\$ 394,895</u>	<u>\$ 95,443</u>	<u>\$ 51,284</u>	<u>\$ 9,709,130</u>
Business-Type Activities	Water				
Receivables		Wastewater	Solid Waste	Other Funds	Total
Interest		\$ -	\$ 17,012	\$ -	\$ 17,012
Customer accounts		6,529,618	1,729,601	231,484	8,490,703
Other		-	260,450	-	260,450
Gross receivables		6,529,618	2,007,063	231,484	8,768,165
Less: allowance		(339,695)	(48,417)	(12,655)	(400,767)
Net total receivables		<u>\$ 6,189,923</u>	<u>\$ 1,958,646</u>	<u>\$ 218,829</u>	<u>\$ 8,367,398</u>

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2009. The water and sewer fund also reported restricted interest receivable at year-end of \$52,299.

Notes receivable includes the balances of three notes from MEDC. In fiscal year 1999, MEDC agreed to pay the principal and interest on \$500,000 of City certificate of obligation funds. The \$500,000 was used for Airport infrastructure engineering and construction costs. Balance of this note as of September 30, 2009, is \$295,000. In February of 2009, MEDC negotiated a loan from the City.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Proceeds were used to redeem their 2002 taxable revenue bonds achieving a savings of \$297,895 in interest expenses. A promissory note in the amount of \$7,070,000 was executed with the City. The Note is for five years with a 5% interest on outstanding balances. Balance of this note as of September 30, 2009, is \$6,060,000. Also in February of 2009, MEDC negotiated another loan from the city to redeem their 2002 tax exempt revenue bonds achieving a savings of \$289,790 in interest expenses. A promissory note in the amount of \$4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. Balance of this note as of September 30, 2009, is \$4,000,000.

**D. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 8,259,862	\$ -	\$ -	\$ 700,090	\$ 8,959,952
Construction in progress	93,550,888	48,482,279	-	(19,875,671)	122,157,496
Total capital assets, not being depreciated	101,810,750	48,482,279	-	(19,175,581)	131,117,448
Capital assets being depreciated:					
Buildings	52,290,032	13,105	-	1,220,928	53,524,065
Infrastructure	423,765,050	35,263,385	(55,830)	16,417,236	475,389,841
Machinery & equipment	32,679,873	4,163,144	(344,478)	1,537,417	38,035,956
Total capital assets being depreciated	508,734,955	39,439,634	(400,308)	19,175,581	566,949,862
Less accumulated depreciation for:					
Buildings	(13,242,781)	(1,779,376)	-	-	(15,022,157)
Infrastructure	(159,435,671)	(19,371,666)	36,411	-	(178,770,926)
Machinery and equipment	(16,716,219)	(3,900,386)	307,612	-	(20,308,993)
Total accumulated depreciation	(189,394,671)	(25,051,428)	344,023	-	(214,102,076)
Total capital assets being depreciated, net	319,340,284	14,388,206	(56,285)	19,175,581	352,847,786
Governmental activities capital assets, net	\$ 421,151,034	\$ 62,870,485	\$ (56,285)	\$ -	\$ 483,965,234

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,329,403	\$ -	\$ -	\$ 5,195,506	\$ 6,524,909
Construction in progress	35,510,258	13,967,365	-	(16,802,826)	32,674,797
Total capital assets, not being depreciated	36,839,661	13,967,365	-	(11,607,320)	39,199,706
Capital assets being depreciated:					
Buildings	12,733,244	8,932	-	-	12,742,176
Infrastructure	236,539,476	19,996,005	-	11,419,420	267,954,901
Machinery & equipment	4,696,042	204,557	(105,905)	187,900	4,982,594
Total capital assets being depreciated	253,968,762	20,209,494	(105,905)	11,607,320	285,679,671
Less accumulated depreciation for:					
Buildings	(3,172,681)	(307,524)	-	-	(3,480,205)
Infrastructure	(37,944,322)	(5,354,595)	-	-	(43,298,917)
Machinery and equipment	(2,774,250)	(418,123)	104,349	-	(3,088,024)
Total accumulated depreciation	(43,891,253)	(6,080,242)	104,349	-	(49,867,146)
Total capital assets being depreciated, net	210,077,509	14,129,252	(1,556)	11,607,320	235,812,525
Business-type activities capital assets, net	\$ 246,917,170	\$ 28,096,617	\$ (1,556)	\$ -	\$ 275,012,231

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

Governmental Activities:	
General government	\$ 1,855,163
Police	839,265
Fire	1,368,104
Libraries	251,671
Development	290,686
Parks and recreation	1,992,035
Public works	18,454,504
	<hr/>
Total depreciation expense governmental activities	<u>\$ 25,051,428</u>
Business-type activities:	
Water and Wastewater	\$ 5,831,773
Solid Waste	59,476
Surface Water Drainage	1,224
Golf Course	187,769
	<hr/>
Total depreciation expense business-type activities	<u>\$ 6,080,242</u>

Capital Improvement Program commitments

The City has active construction projects as of September 30, 2009. The projects include Governmental type activities such as: streets, parks, fire, facilities, library, and stormwater construction. The commitment for Governmental is being financed by general obligation bonds, certificate of obligation bonds, impact fees and developer contributions. The Water and Wastewater, and Airport are being financed by revenue bonds, certificate of obligation bonds, impact fees and developer contributions. The remaining commitment was expenditures not spent.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
<hr/> Governmental	\$ 207,529,671	\$ 122,157,496	\$ 85,372,175
Water and Wastewater	59,668,745	32,674,797	26,993,948
Airport	30,256,165	13,648,898	16,607,267
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 297,454,581</u>	<u>\$ 168,481,191</u>	<u>\$ 128,973,390</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

A summary of interfund receivables and payables balances at September 30, 2009, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Primary Purpose</u>
General Fund	Water/Wastewater Fund	\$ 75,612	Franchise fees and cash short fall
Water/Wastewater Fund	Solid Waste	8,272	Sanitation accrual
General Fund	Solid Waste	29,839	Sanitation accrual
General Fund	Other Funds	135,000	To cover cash shortage and police overtime
	Total	<u>\$ 248,723</u>	

Transfers between funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Facility Improvement Fund	General Fund	\$ 155,762
General Fund	Non major	898,369
General Fund	Street Construction Fund	410,000
General Fund	Facility Improvement Fund	109,100
Golf Fund	General Fund	5,000
Surface Water Drainage	Non major	591,200
Water/Wastewater	General Fund	1,841,255
Water/Wastewater	Non major	36,187
Solid Waste	General Fund	355,934
Solid Waste	Non major	4,267
Non Major Funds	General Fund	522,292
Non Major Funds	Non major	9,431
		<u>\$ 4,938,797</u>

Transfers are used to: 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants program, and 4) move restricted impact fees to fund capital improvement program.

A transfer of \$683,369 was made from the general fund to the equipment replacement fund to replace computers. A transfer of \$300,000 was made from the equipment replacement fund to the general fund that was used to purchase public safety (fire department) capital technology equipment.

A transfer of \$590,000 was made from the surface water drainage fund to the stormwater construction fund because the municipal surface water drainage utility system ordinance allows for \$2.75 per month per single family living unit equivalent to be used towards drainage improvements.

Transfers of \$2,208,189 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees which are expected to be paid from governmental activities.

**CITY OF MCKINNEY, TEXAS**  
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**F. DEFERRED/UNEARNED REVENUE**

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Tax, court, EMS, franchise fees and miscellaneous revenues which are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Unearned grant revenues are reported as deferred revenue and unearned revenue on the governmental fund and government-wide financial statements respectively. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Deferred Revenue	Unearned Revenue
Tax revenue	\$ 707,116	\$ 303,234	\$ 1,010,350	\$ -
Court revenue	1,589,632	-	1,589,632	-
EMS revenue	1,423,918	-	1,423,918	-
Franchise fees	854,776	-	854,776	-
Grant revenue	78,886	-	-	78,886
Miscellaneous	11,352	-	-	11,352
	<u>\$ 4,665,680</u>	<u>\$ 303,234</u>	<u>\$ 4,878,676</u>	<u>\$ 90,238</u>

**LONG-TERM DEBT**

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2009, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 145,515,000	\$ 7,185,000	\$ (6,620,000)	\$ 146,080,000	\$ 7,140,000
Certificate of obligation	49,315,000	21,025,000	(3,225,000)	67,115,000	2,210,000
	<u>194,830,000</u>	<u>28,210,000</u>	<u>(9,845,000)</u>	<u>213,195,000</u>	<u>9,350,000</u>
Add deferred amounts:					
For issuance premium	635,905	-	(73,383)	562,522	-
For advance refunding	(581,942)	-	78,406	(503,536)	-
Total bonds payable	<u>194,883,963</u>	<u>28,210,000</u>	<u>(9,839,977)</u>	<u>213,253,986</u>	<u>9,350,000</u>
Arbitrage	393,014	-	(22,735)	370,279	370,279
OPEB liability	152,411	152,411	(241,414)	63,408	-
Leases payable	123,597	-	(60,035)	63,562	63,562
Compensated absences	2,794,320	792,608	(335,938)	3,250,990	695,712
Governmental activity long-term debt	<u>\$ 198,347,305</u>	<u>\$ 29,155,019</u>	<u>\$ (10,500,099)</u>	<u>\$ 217,002,225</u>	<u>\$ 10,479,553</u>
Business-type activities:					
Bonds payable:					
Water and Wastewater					
Revenue bonds	\$ 75,085,000	\$ 9,770,000	\$ (3,830,000)	\$ 81,025,000	\$ 4,085,000
	<u>75,085,000</u>	<u>9,770,000</u>	<u>(3,830,000)</u>	<u>81,025,000</u>	<u>4,085,000</u>
Add deferred amounts:					
For issuance premium	154,106	-	(19,668)	134,438	-
For advance refunding	(376,069)	-	43,814	(332,255)	-
Total bonds payable	<u>74,863,037</u>	<u>9,770,000</u>	<u>(3,805,854)</u>	<u>80,827,183</u>	<u>4,085,000</u>
Arbitrage	191,455	191,455	(191,455)	191,455	-
Compensated absences	159,958	41,994	(47,547)	154,405	33,042
Business-type activity long-term debt	<u>\$ 75,214,450</u>	<u>\$ 10,003,449</u>	<u>\$ (4,044,856)</u>	<u>\$ 81,173,043</u>	<u>\$ 4,118,042</u>

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Compensated Absences

Compensated absences represent the estimated liability for employees' accrued 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 \$213,195,000 of serial bonds and certificates of obligation with interest rates ranging from 3.40% to 6.00% maturing annually in varying amounts through 2029. Interest for these bonds is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. In June of 2009, general obligation bonds and certificates of obligation totaling \$28,210,000 were issued for capital improvements in fiscal year 2009 with interest rates ranging from 3.25% to 5.00%.

Debt service requirements of the general obligation bonds and certificates of obligation for the years subsequent to September 30, 2009 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	
2010	\$ 7,140,000	\$ 6,550,375	\$ 13,690,375	\$ 2,210,000	\$ 3,226,583	\$ 5,436,583	\$ 19,126,958
2011	7,615,000	6,178,699	13,793,699	2,365,000	2,878,703	5,243,703	19,037,402
2012	7,815,000	5,877,461	13,692,461	2,485,000	2,779,765	5,264,765	18,957,226
2013	8,050,000	5,559,918	13,609,918	2,585,000	2,673,608	5,258,608	18,868,526
2014	8,245,000	5,228,975	13,473,975	2,740,000	2,565,253	5,305,253	18,779,228
2015-2019	41,110,000	20,766,396	61,876,396	19,305,000	10,739,670	30,044,670	91,921,066
2020-2024	44,865,000	10,927,449	55,792,449	20,180,000	6,535,104	26,715,104	82,507,553
2025-2029	21,240,000	2,203,594	23,443,594	15,245,000	1,939,650	17,184,650	40,628,244
	<u>\$146,080,000</u>	<u>\$ 63,292,867</u>	<u>\$ 209,372,867</u>	<u>\$ 67,115,000</u>	<u>\$ 33,338,336</u>	<u>\$ 100,453,336</u>	<u>\$ 309,826,203</u>

The City Charter does not prescribe a debt limit.

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures.

Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 3.50% to 5.50%, maturing annually in varying amounts through years 2029 and interest is payable semi-annually. In June of 2009, the City issued \$9,770,000 of water and wastewater bonds for improvements and extensions to the water/wastewater system with interest rates ranging from 3.50% to 4.625%.

The revenue bonds are payable from the net revenues of the Water and Wastewater Fund. Gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with the bond covenants. The City is in compliance with the revenue bond debt covenants as of September 30, 2009. Remaining revenues may then be used for any lawful purpose.

**CITY OF MCKINNEY, TEXAS**  
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Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2009, are as follows:

Fiscal Year	Revenue Bonds		
	Principal Requirements	Interest Requirements	Total Requirements
2010	\$ 4,085,000	\$ 3,506,263	\$ 7,591,263
2011	4,125,000	3,342,538	7,467,538
2012	4,165,000	3,172,503	7,337,503
2013	4,205,000	2,996,156	7,201,156
2014	4,255,000	2,816,838	7,071,838
2015-2019	22,690,000	11,181,658	33,871,658
2020-2024	24,770,000	5,837,545	30,607,545
2025-2029	12,730,000	1,013,375	13,743,375
	<u>\$ 81,025,000</u>	<u>\$ 33,866,876</u>	<u>\$ 114,891,876</u>

Capital Leases

The City has a lease agreement for financing the acquisition of a paving machine for its Public Works Department. The lease agreement qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Machinery and equipment with a historical cost of \$309,468 and accumulated depreciation of \$167,628 were under capital leases property at September 30, 2009.

Capital lease requirements for the years subsequent to September 30, 2009, are as follows:

Fiscal Year	Total Requirements	Interest Requirements	Principal Requirements
2010	\$ 67,295	\$ 3,733	\$ 63,562
	<u>\$ 67,295</u>	<u>\$ 3,733</u>	<u>\$ 63,562</u>

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**G. RESTRICTED ASSETS**

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

Purpose	Cash and Investments	Accrued Interest Receivable	Total
<b>Water and Wastewater Funds:</b>			
Operating Fund (includes customer deposits)	\$ 2,002,806	\$ -	\$ 2,002,806
Utility Capital Projects Fund	32,991,884	50,218	33,042,102
Utility Development Impact Fee	2,083,128	-	2,083,128
Revenue Debt Service Fund	10,732,477	-	10,732,477
Revenue Bond Reserve Fund	4,147,510	2,081	4,149,591
Golf Course Fund (includes customer deposits)	10,000	-	10,000
	<u>\$ 51,967,805</u>	<u>\$ 52,299</u>	<u>\$ 52,020,104</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, 2009, net assets are sufficient to satisfy such bond ordinance requirements.

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

**(4) DEFERRED COMPENSATION PLAN**

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

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

**(5) PENSION PLAN**

**A. Plan Description**

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 833 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2008, valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing P.O. Box 149153, Austin, Texas 78714-9153.

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Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit, which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 20 years of service regardless of age. A member is vested after five years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of December 2008)

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

**B. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for the rates beginning January 2009)

**C. Annual Pension Cost**

Contributions by the City were \$5,245,088 or 10.91% of the covered payroll of \$48,070,601 as required by the actuarial valuation. The total fiscal year 2009 payroll was \$49,312,461.

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

<u>Actuarial Information</u>	12/31/08		12/31/07		12/31/06
	Project	Unit	Project	Unit	Unit
Actuarial cost method	Credit		Credit		Unit Credit
Amortization method	Level %		Level %		Level %
Amortization period	29 years-closed period		30 years-closed period		25 years-open period
Asset valuation method	Amortized cost		Amortized cost		Amortized cost
Assumptions					
Investment return	7.5%		7.0%		7.0%
projected salary increases	varies by age and services		varies by age and services		varies by age and services
Inflation	3.0%		3.0%		3.5%
cost-of-living adjustment	2.1%		2.1%		None
City specific assumptions					
Payroll growth assumption	3.0%		3.0%		5.0%
Withdrawal rates for Male/Female (low, mid/low, mid, mid/high or high)	Mid-Low/Mid		Mid-Low/Mid		Mid/Mid

Schedule of Funding Information

	12/31/08		12/31/07		12/31/06
Actuarial valuation date					
Actuarial Value of Assets	\$ 66,901,198	\$ 60,301,582	\$ 60,301,582	\$ 52,581,114	
Actuarial Accrued Liability	\$ 104,411,186	\$ 94,242,619	\$ 94,242,619	\$ 67,858,166	
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 37,509,988	\$ 33,941,037	\$ 33,941,037	\$ 15,277,052	
Funded ratio	64.1%	64.0%	64.0%	77.5%	
Annual Covered Payroll	\$ 47,208,569	\$ 42,109,757	\$ 42,109,757	\$ 37,270,216	
UAAL as a Percentage of Covered Payroll	79.5%	80.6%	80.6%	41.0%	

The City's net pension obligation (NPO) for TMRS at December 31, 2008, 2007 and 2006 is calculated as follows:

	December 31		
	2008	2007	2006
Actuarial valuation date:			
NPO, beginning of the year	\$ -	\$ -	\$ -
Annual pension cost:			
Annual required contribution (ARC)	5,245,018	4,769,147	4,260,088
Contributions Made	(5,245,018)	(4,769,147)	(4,260,088)
NPO , end of the year	\$ -	\$ -	\$ -

Supplemental death benefit fund

The City contributes to a cost-sharing multiple-employer defined benefit group-term life insurance plan known as the Supplemental Death Benefits fund (SDBF). This is a separate trust administered by the TMRS Board of Trustees and is a voluntary program in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may

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terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Contributions are made monthly based on the covered payroll of employee members of the City. The contractually required contribution rate is determined annually, and the rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund described above. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of the plan is to assure adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you go basis; any excess contributions and investment income over payments then become net assets available for postemployment benefits other than pension benefits (OPEB). The City's contributions to SDBF for the fiscal years ended September 30, 2009, 2008 and 2007, were \$81,040, \$84,135, and \$75,505, respectively, which equaled the required contributions each year.

Payments from this fund are similar to group term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary. The death benefit for retirees is considered an OPEB and is fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or claim against, the Pension Trust Fund.

**(6) OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description**

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

**B. Benefits Provided**

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

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.

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2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than ninety days from termination of employment; and
3. Enroll for retiree Health coverage within thirty-one days of the date of termination.

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

As of September 30, 2009, membership consisted of:

Retires and beneficiaries receiving benefits	12
Terminated employees eligible for benefits, but not yet enrolled	13
Active employees	<u>774</u>
Total	<u><u>799</u></u>

**C. Funding Policy**

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving medical benefits contribute \$530 per month for retiree-only coverage, \$760 per month for retiree and spouse and \$820 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

**D. Annual OPEB Cost**

The City's annual OPEB cost is calculated based on the annual required contribution of the City (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The City's annual OPEB cost for the current year and the related information are as follows at September 30, 2009:

	2009	2008
Annual required contribution	\$ 152,411	\$ 152,411
Interest on prior year Net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost	<u>152,411</u>	<u>152,411</u>
Contributions made	89,003	-
Increase in net OPEB obligation	<u>63,408</u>	<u>152,411</u>
Net Obligation - beginning of year	-	-
Net Obligation - end of year	<u><u>\$ 63,408</u></u>	<u><u>\$ 152,411</u></u>
Percentage of OPEB costs contributed	58.40%	0.00%

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Funded Status and Funding Progress

The funded status of the plan as of actuarial measurement date of March 31, 2008 was as follows:

Actuarial accrued liability	\$ 1,186,584
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 1,186,584</u>
Funded ratio	0.0%
Covered payroll	\$ 47,208,569
Unfunded actuarial accrued liability as a percentage of covered payroll	2.51%

**E. Actuarial Methods and Assumptions**

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

In the March 31, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. The rate of inflation is assumed to be 3%.

**(7) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS**

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2009, were \$11,083,824.

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, 2009, was \$11,237,220.

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, 2009, was \$4,223,400.

**(8) LITIGATION**

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

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**(9) CONTINGENT LIABILITIES**

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD issued \$2,600,000 in revenue bonds to be used for the construction of a water supply and distribution system benefiting the Cities of McKinney and Frisco. The outstanding principal of the revenue bonds at September 30, 2009, is \$395,000. The City of McKinney and the City of Frisco have guaranteed the payment of the bond principal and interest, and certain related administrative costs. The City made monthly operating payments to NTMWD totaling \$104,680 in fiscal year 2009, in compliance with this agreement. As of September 30, 2009, the City of Frisco is also in compliance with this agreement.

NTMWD issued \$1,700,000 in revenue bonds in 1995 to be used for the acquisition and construction of facilities to provide wastewater transportation services for the City. The City of McKinney has guaranteed the payment of the bond principal and interest and certain related administrative costs. The outstanding principal of the revenue bonds as of September 30, 2009, is \$740,000. The City made monthly operating payments to NTMWD totaling \$143,396 in fiscal year 2009.

**(10) INSURANCE AND RISK MANAGEMENT**

The City's General Fund accounts for health insurance claims, workers' compensation claims, property, and general liability claims.

The City provides health insurance benefits to City employees under a modified self-insurance plan (the Plan). Under the Plan, the City and the employee pay a portion of a predetermined monthly premium, which is based on the estimated claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the General Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess (stop loss) insurance policy covering individual claims in excess of \$75,000. The City utilizes the Texas Municipal League Intergovernmental Employee Benefits Pool (TMLIEBP) 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" amount. For the year ended September 30, 2009, the City and the City's employees' contributions paid under the Plan were \$7,355,978 and \$1,680,744 respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The General Fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of \$100,000 per occurrence, with an annual aggregate retention of \$375,000. During 2009, the City contributed \$389,302 to the General Fund for workers' compensation.

The City has a deductible of \$25,000 per occurrence for property and liability, except automobile and errors/omissions. The deductible for automobile liability is \$10,000 per occurrence; the deductible for errors/omissions is \$50,000 per occurrence.

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All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. During 2009, the City contributed \$371,364 for property and general liability.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims.

The changes in the Insurance and Risk Management liability amount in fiscal 2009 and 2008 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year	Due Within One Year
2009:					
Health Claims	\$ 963,295	\$ 7,936,475	\$ (7,897,808)	\$ 1,001,962	\$ 1,001,962
Workers' Comp	220,779	409,570	(224,195)	406,154	406,154
Totals	<u>\$ 1,184,074</u>	<u>\$ 8,346,045</u>	<u>\$ (8,122,003)</u>	<u>\$ 1,408,116</u>	<u>\$ 1,408,116</u>
2008:					
Health Claims	\$ 819,517	\$ 6,669,605	\$ (6,525,827)	\$ 963,295	\$ 963,295
Workers' Comp	396,473	125,167	(300,861)	220,779	220,779
Totals	<u>\$ 1,215,990</u>	<u>\$ 6,794,772</u>	<u>\$ (6,826,688)</u>	<u>\$ 1,184,074</u>	<u>\$ 1,184,074</u>

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

**(11) MCKINNEY PROJECT DEVELOPMENT**

The MCDC, City, MEDC and a private developer (McKinney Shores Hotel Partners, Inc.) are parties to an economic development agreement for the construction of a Westin hotel and a City-owned Events Center. The MCDC is funding a portion of the overall project in the amount of \$16,200,000. The private developer was contractually obligated to procure a general contractor for the entire project. However, McKinney Shores Hotel Partners stopped work on the project due to a construction financing issue. The construction is suspended until adequate construction financing is obtained. During the current fiscal year the City attempted to repay the amount due based on the City's understanding of the agreement between the MEDC and the developer related to this project. The funds were not accepted as the developer is currently seeking legal remedies. Currently the outcome related to this project is unknown and no additional liability has been reflected in the financial statements.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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**(12) MCKINNEY ECONOMIC DEVELOPMENT CORPORATION**

The MEDC is financed with a voter approved half-cent city sales tax, to aid, promote and further the economic development within the City. Under a contract between the MEDC and the City, the City provides financial services for the MEDC.

**A. Deposits and investments**

Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 633,859
Restricted cash and cash equivalents	<u>726,570</u>
Total cash and investments	<u>\$ 1,360,429</u>
Cash on hand	\$ 200
Deposits with financial institution	<u>1,360,229</u>
Total cash and investments	<u>\$ 1,360,429</u>

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

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

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

**CITY OF MCKINNEY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2009**

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**Custodial credit risk**

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

As of September 30, 2009 MEDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. Receivables**

At September 30, 2009, accounts and notes receivable on the Statement of Net Assets represents amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporation's the City has elected to expense the advance at the time of transfer. The receivable balance as reported at September 30, 2009 are as follows:

	<u>Total</u>
Receivables	
Taxes	\$ 1,345,610
Accounts	<u>244,002</u>
Gross receivables	1,589,612
Less: allowance	<u>-</u>
Net total receivables	<u><u>\$ 1,589,612</u></u>

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

**C. CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Ending Balance
Component unit activities:				
Capital assets, not being depreciated:				
Land	\$ 12,683,100	\$ 10,644,376	\$ -	\$ 23,327,476
Total capital assets, not being depreciated	<u>12,683,100</u>	<u>10,644,376</u>	<u>-</u>	<u>23,327,476</u>
Capital assets, being depreciated:				
Leasehold improvement	25,434	-	-	25,434
Improvements other than buildings	257,783	-	-	257,783
Machinery and equipment	13,364	22,851	-	36,215
Total capital assets being depreciated	<u>296,581</u>	<u>22,851</u>	<u>-</u>	<u>319,432</u>
Less accumulated depreciation for:				
Leasehold improvement	13,316	2,020	-	15,336
Improvements other than buildings	129,965	12,889	-	142,854
Machinery and equipment	13,364	381	-	13,745
Total accumulated depreciation	<u>156,645</u>	<u>15,290</u>	<u>-</u>	<u>171,935</u>
Total capital assets, being depreciated, net	<u>139,936</u>	<u>7,561</u>	<u>-</u>	<u>147,497</u>
Component unit activities capital assets, net	<u>\$ 12,823,036</u>	<u>\$ 10,651,937</u>	<u>\$ -</u>	<u>\$ 23,474,973</u>

**D. DEFERRED/UNEARNED REVENUE**

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Receivables from developers are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the MEDC had \$244,002 of deferred revenue reported in the governmental funds.

**E. LONG-TERM DEBT**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component unit activities:					
Bonds payable					
Sales tax revenue bonds	\$ 11,070,000	\$ -	\$ (11,070,000)	\$ -	\$ -
Note payable	8,454,246	-	-	8,454,246	8,454,246
Note payable to primary government	775,000	11,070,000.00	(1,490,000)	10,355,000	1,075,000
Compensated absences	21,481	2,133	5,556	29,170	6,242
Component unit activities Long-term debt	<u>\$ 20,320,727</u>	<u>\$ 11,072,133</u>	<u>\$ (12,554,444)</u>	<u>\$ 18,838,416</u>	<u>\$ 9,535,488</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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

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

Debt service requirements of the notes payable for the years subsequent to September 30, 2009, are as:

<u>Fiscal Year</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2010	\$ 5,000	\$ 13,536	\$ 18,536
2011	50,000	13,319	63,319
2012	65,000	11,094	76,094
2013	75,000	8,169	83,169
2014	100,000	4,700	104,700
	<u>\$ 295,000</u>	<u>\$ 50,818</u>	<u>\$ 345,818</u>

In 2006, the MEDC entered into an agreement with a developer in order to purchase some land. As a result of this agreement they negotiated two loans totaling \$8,454,246. The proceeds were utilized to secure 27 acres of land, which is anticipated to be used at a later date for commercial retail property. Under the loan agreement the MEDC will make interest only payments on a monthly basis at LIBOR plus 4%. \$3,503,361 of the loan proceeds was transferred to the City in order to purchase the land due to legal restraints under the property. The remaining \$4,950,885 was used to secure part of the 27 acres with a value of the same. The maturity date of the note is the "transfer date" of the land as defined under the Master Development Agreement. This project has currently been halted as discussed in note 11.

In February of 2009, the MEDC negotiated a loan from the City of McKinney. Proceeds were used to redeem their 2002 Tax Exempt and Taxable revenue bonds achieving a savings of \$587,685 in interest expenses. Two promissory notes in the amount of \$4,000,000 for the Tax-Exempt 2002 bonds and \$7,070,000 Taxable 2002 bonds were executed on February 27, 2009.

<u>Fiscal Year</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2010	\$ 1,070,000	\$ 303,000	\$ 1,373,000
2011	1,135,000	249,500	1,384,500
2012	1,205,000	192,750	1,397,750
2013	1,285,000	132,500	1,417,500
2014	1,365,000	68,250	1,433,250
	<u>\$ 6,060,000</u>	<u>\$ 946,000</u>	<u>\$ 7,006,000</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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Debt service requirements of the notes payable for the years subsequent to September 30, 2009 are as:

<u>Fiscal Year</u>	<u>Principal Requirements</u>	<u>Interest Requirements</u>	<u>Total</u>
2010	\$ -	\$ 160,000	\$ 160,000
2011	-	160,000	160,000
2012	-	160,000	160,000
2013	-	160,000	160,000
2014	-	160,000	160,000
2015-2017	4,000,000	325,000	4,325,000
	<u>\$ 4,000,000</u>	<u>\$ 1,125,000</u>	<u>\$ 5,125,000</u>

**(13) MCKINNEY COMMUNITY DEVELOPMENT CORPORATION**

In accordance with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement 39, MCDC is a discretely presented component unit on the combined financial statements. In January 1996, the citizens of McKinney elected to adopt an additional half-cent sales tax in accordance with Sec. 4B Art. 5190.6 of Vernon's Texas Civil Statutes. This revenue source will be used to fund various public facilities and infrastructure including but not limited to parks, cultural and civic facilities, sports facilities, and historic preservation and tourism facilities. Under a contract between the MCDC and the City, the City provides financial services for the MCDC.

**A. DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 11,253,857
Investments	8,343,075
Total cash and investments	<u>\$ 19,596,932</u>
Cash on hand	\$ 200
Deposits with financial institution	1,645,833
Investments	17,950,899
Total cash and investments	<u>\$ 19,596,932</u>

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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

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

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

**Disclosures relating to interest rate risk**

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

As of September 30, 2009, MCDC had the following investments:

Investment Type	Amount	Weighted Average Maturity
LOGIC	\$ 9,607,824	56 days
Federal Agency Securities	8,343,075	1530 days
	<u>\$ 17,950,899</u>	

As of September 30, 2009 MCDC did not invest in any securities which are highly sensitive to interest rate fluctuations.

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

MCDC investments include \$2,000,500 of federal agency securities that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated above). The nature of the additional risk is due to step-up features on specified dates related to the investments as well as the fact that the issue can call the issue prior to the step up date. The range of the step up is between 2.00% and 5.50%.

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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**Disclosures relating to credit risk**

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
LOGIC	\$ 9,607,824	AAA/AAA-m	AAA-m
Federal Agency Securities	8,343,075	AAA	AAA
	<u>\$ 17,950,899</u>		

**Concentration of credit risk**

The investment policy of MCDC contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2009, investments other than external investment pools that represent 5% or more of MCDC's investments are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal agency securities	\$ 2,016,800
FHLMC	Federal agency securities	\$ 3,005,300
FNMA	Federal agency securities	\$ 3,071,200

**Custodial credit risk**

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

As of September 30, 2009 MCDC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

**B. RECEIVABLES**

At September 30, 2009, accounts receivable include \$1,345,610 representing sales tax owed to MCDC and accrued interest of \$79,721. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2009.

**C. CAPITAL ASSETS**

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

**(14) MCKINNEY AIRPORT DEVELOPMENT CORPORATION**

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

**A. DEPOSITS AND INVESTMENTS**

Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 373,831
Restricted cash and cash equivalents	5,623,378
Total cash and investments	<u>\$ 5,997,209</u>
Cash on hand	\$ 200
Deposits with financial institution	143,409
Investments	5,853,600
Total cash and investments	<u>\$ 5,997,209</u>

**CITY OF MCKINNEY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2009**

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

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

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

**Disclosures relating to interest rate risk**

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

As of September 30, 2009, MADC had the following investments:

Investment Type	Amount	Weighted Average Maturity
LOGIC	\$ 253,076	56 days
Texas Daily	5,600,524	57 days
	<u>\$ 5,853,600</u>	

As of September 30, 2009 MADC did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Disclosures relating to credit risk**

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

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
LOGIC	\$ 253,076	AAA/AAA-m	AAA-m
Texas Daily	5,600,524	AAA/AAA-m	AAA-m
	<u>\$ 5,853,600</u>		

**Custodial credit risk**

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

As of September 30, 2009 MADC deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**B. RECEIVABLES**

At September 30, 2009, accounts receivable include \$51,761 for services provided. Some of the receivables as of year-end for MADC were not considered collectable by management therefore, a \$50,000 allowance for uncollectible accounts has been recorded for September 30, 2009.

**CITY OF MCKINNEY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2009**

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**C. CAPITAL ASSETS**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 13,851,019	\$ -	\$ -	\$ -	\$ 13,851,019
Construction in progress	10,752,854	2,896,044	-	-	13,648,898
Total capital assets, not being depreciated	<u>24,603,873</u>	<u>2,896,044</u>	<u>-</u>	<u>-</u>	<u>27,499,917</u>
Capital assets being depreciated:					
Buildings	1,406,411	60,651	-	-	1,467,062
Infrastructure	17,659,254	99,884	-	-	17,759,138
Machinery & equipment	310,557	127,095	-	-	437,652
Total capital assets being depreciated	<u>19,376,222</u>	<u>287,630</u>	<u>-</u>	<u>-</u>	<u>19,663,852</u>
Less accumulated depreciation for:					
Buildings	(356,479)	(66,124)	-	-	(422,603)
Infrastructure	(7,833,057)	(671,956)	-	-	(8,505,013)
Machinery and equipment	(169,263)	(34,008)	-	-	(203,271)
Total accumulated depreciation	<u>(8,358,799)</u>	<u>(772,088)</u>	<u>-</u>	<u>-</u>	<u>(9,130,887)</u>
Total capital assets being depreciated, net	<u>11,017,423</u>	<u>(484,458)</u>	<u>-</u>	<u>-</u>	<u>10,532,965</u>
Business-type activities capital assets, net	<u>\$ 35,621,296</u>	<u>\$ 2,411,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,032,882</u>

**(15) SUBSEQUENT EVENTS**

The city has evaluated all events or transaction that occurred after September 30, 2009 up through February 25, 2010, the date the financial statements were issued. During this period there were no subsequent events requiring disclosure.



# **REQUIRED SUPPLEMENTAL INFORMATION**



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

<b>Fiscal Year *</b>	<b>(1) Actuarial Value ** Of Assets</b>	<b>(2) Actuarial Accrued Liability</b>	<b>(3) Percentage Funded (1)/(2)</b>	<b>(4) Unfunded Actuarial Accrued Liability (2)-(1)</b>	<b>(5) Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)</b>
2001	\$ 21,464,927	\$ 27,564,385	77.9%	\$ 6,099,458	\$ 15,680,907	38.9%
2002	26,265,545	33,590,617	78.2%	7,325,072	19,419,903	37.7%
2003	31,088,506	40,611,343	76.6%	9,522,837	22,094,033	43.1%
2004	36,507,673	49,191,302	74.2%	12,683,629	24,521,936	51.7%
2005	40,571,864	52,013,606	78.0%	11,441,742	27,581,781	41.5%
2006	46,461,949	59,291,581	78.4%	12,829,632	30,018,370	42.7%
2007	52,581,114	67,858,166	77.5%	15,277,052	37,270,216	41.0%
2008	60,301,582	94,242,619	64.0%	33,941,037	42,109,757	80.6%
2009	66,901,198	104,411,186	64.1%	37,509,988	47,208,569	79.5%

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

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

See accompanying independent auditor's report.

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

<b>Fiscal Year *</b>	<b>(1) Actuarial Value ** Of Assets</b>	<b>(2) Actuarial Accrued Liability</b>	<b>(3) Percentage Funded (1)/(2)</b>	<b>(4) Unfunded Actuarial Accrued Liability (2)-(1)</b>	<b>(5) Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4)/(5)</b>
2007	N/A	N/A	N/A	N/A	N/A	N/A
2008	-	\$ 1,186,584	0.0%	\$ 1,186,584	\$ 42,109,757	2.8%
2009	-	1,186,584	0.0%	1,186,584	42,109,757	2.8%

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

See accompanying independent auditor's report.

**COMBINING STATEMENTS  
AND INDIVIDUAL FUND  
SCHEDULES**





## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

**MCKINNEY PERFORMING ARTS CENTER (MPAC) / CULTURAL ARTS/ MAIN ST.** - to account for the funds derived from performing art ticket revenue and space rental revenue. The cultural arts fund is designed for promotion of the arts. The MPAC fund is to account for donations, grants, and funds for the purpose of support and promotion of the performing arts in McKinney at the Collin County Historic Courthouse. Main Street's purpose is the preservation of historic downtown.

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

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

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

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

**MCKINNEY CONVENTION & VISITORS BUREAU** - to account for funds received from the local hotel/motel tax. This fund purpose is to promote tourism and make McKinney the destination of choice.

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

## NON-MAJOR GOVERNMENTAL FUNDS – CONTINUED

### CAPITAL PROJECTS FUNDS

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

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

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

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

**CAPITAL BOND FUND** – to account for bond proceeds otherwise used to finance capital improvements in the enterprise funds (excluding the utility construction fund). Funds for allocated projects are transferred to the appropriate capital project funds. Unallocated funds will accumulate in this fund. Proceeds from the sale of general obligation bonds provide financing.

**CITY OF MCKINNEY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Special Revenue					
	MPAC/Cultural Arts/Main Street	Law Enforcement	Fire Donations /Security	Equipment / Infrastructure Replacement	Library Gift	McKinney Convention Visitors Bureau
<b>ASSETS</b>						
Cash and cash equivalents	\$ 203,830	\$ 187,828	\$ 24,452	\$ 1,194,866	\$ 277,603	\$ 530,902
Investments	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	50
Other taxes	-	-	-	-	-	40,140
Accrued interest	-	-	-	-	-	-
Other receivable	332	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	6,498	150	-	707,583	-	11,553
<b>Total assets</b>	<b>\$ 210,660</b>	<b>\$ 187,978</b>	<b>\$ 24,452</b>	<b>\$ 1,902,449</b>	<b>\$ 277,603</b>	<b>\$ 582,645</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 27,812	\$ 110	\$ -	\$ 212	\$ 229	\$ 15,534
Other accrued liabilities	50,657	63,685	-	-	-	12,031
Due to other funds	-	-	-	-	-	-
<b>Total liabilities</b>	<b>78,469</b>	<b>63,795</b>	<b>-</b>	<b>212</b>	<b>229</b>	<b>27,565</b>
<b>FUND BALANCES</b>						
Reserved for:						
Prepaid items	6,498	150	-	707,583	-	11,553
Capital Projects	-	-	-	-	-	-
Unreserved, undesignated	125,693	124,033	24,452	1,194,654	277,374	543,527
<b>Total fund balances</b>	<b>132,191</b>	<b>124,183</b>	<b>24,452</b>	<b>1,902,237</b>	<b>277,374</b>	<b>555,080</b>
<b>Total liabilities and fund balances</b>	<b>\$ 210,660</b>	<b>\$ 187,978</b>	<b>\$ 24,452</b>	<b>\$ 1,902,449</b>	<b>\$ 277,603</b>	<b>\$ 582,645</b>

<b>Special Revenue</b>		<b>Capital Projects</b>					<b>Total Nonmajor</b>
<b>Community Housing</b>	<b>Fire Improvements</b>	<b>Park Construction</b>	<b>Library</b>	<b>Stormwater Construction</b>	<b>Capital Bond Fund</b>	<b>Governmental Funds</b>	
\$ 2,534	\$ 2,630,167	\$ 11,830,193	\$ 1,643,567	\$ 7,090,368	\$ -	\$ 25,616,310	
-	-	2,017,000	-	-	-	2,017,000	
-	-	-	-	-	-	50	
-	-	-	-	-	-	40,140	
-	-	10,385	-	-	-	10,385	
377	-	-	-	-	-	709	
226,564	-	-	-	215,458	-	442,022	
572	-	-	16,800	-	-	743,156	
<b>\$ 230,047</b>	<b>\$ 2,630,167</b>	<b>\$ 13,857,578</b>	<b>\$ 1,660,367</b>	<b>\$ 7,305,826</b>	<b>\$ -</b>	<b>\$ 28,869,772</b>	
\$ 19,480	\$ 358,099	\$ 209,968	\$ 431,620	\$ 253,564	\$ -	\$ 1,316,628	
13,430	291,335	62,440	267,532	87,454	-	848,564	
135,000	-	-	-	-	-	135,000	
167,910	649,434	272,408	699,152	341,018	-	2,300,192	
572	-	-	16,800	-	-	743,156	
-	1,980,733	13,585,170	944,415	6,964,808	-	23,475,126	
61,565	-	-	-	-	-	2,351,298	
62,137	1,980,733	13,585,170	961,215	6,964,808	-	26,569,580	
<b>\$ 230,047</b>	<b>\$ 2,630,167</b>	<b>\$ 13,857,578</b>	<b>\$ 1,660,367</b>	<b>\$ 7,305,826</b>	<b>\$ -</b>	<b>\$ 28,869,772</b>	

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE- NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	Special Revenue					McKinney Convention Visitors Bureau
	MPAC/Cultural Arts/Main Street	Law Enforcement	Fire Donations /Security	Equipment / Infrastructure Replacement	Library Gift	
<b>REVENUES</b>						
Sales and use taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 538,282
Intergovernmental	3,356	-	-	-	-	-
Charges for services	321,673	-	-	4,767	-	-
Fines and forfeitures	-	21,079	-	-	-	-
Investment income	2,382	1,717	254	18,252	2,886	5,368
Contributions	593,868	1,950	9,275	-	61,471	150,000
Miscellaneous	4,427	-	-	-	-	-
<b>Total revenues</b>	<b>925,706</b>	<b>24,746</b>	<b>9,529</b>	<b>23,019</b>	<b>64,357</b>	<b>693,650</b>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	516,739	-	-
Police	-	53,927	-	-	-	-
Fire	-	-	-	-	-	-
Libraries	-	-	-	-	214	-
Development	-	-	-	-	-	633,474
Parks and recreation	1,041,072	-	-	-	-	-
Public works	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Capital Expenditures:						
Police	-	24,309	-	-	-	-
Fire	-	-	-	-	-	-
Libraries	-	-	-	-	-	-
Development	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Public works	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,041,072</b>	<b>78,236</b>	<b>-</b>	<b>516,739</b>	<b>214</b>	<b>633,474</b>
Excess (deficiency) of revenues over expenditures	(115,366)	(53,490)	9,529	(493,720)	64,143	60,176
<b>OTHER FINANCING SOURCES (USES)</b>						
Issuance of long-term debt	-	-	-	-	-	-
Proceeds from sale of property	-	7,451	-	-	-	-
Transfers in	125,000	10,000	-	734,454	-	-
Transfers out	(8,831)	-	(24,105)	(300,000)	-	-
<b>Total other financing sources (uses):</b>	<b>116,169</b>	<b>17,451</b>	<b>(24,105)</b>	<b>434,454</b>	<b>-</b>	<b>-</b>
Net change in fund balances	803	(36,039)	(14,576)	(59,266)	64,143	60,176
Fund balances, beginning of year	131,388	160,222	39,028	1,961,503	213,231	494,904
Fund balances, end of year	\$ 132,191	\$ 124,183	\$ 24,452	\$ 1,902,237	\$ 277,374	\$ 555,080

<b>Special Revenue</b>		<b>Capital Projects</b>					
<b>Community Housing</b>	<b>Fire Improvements</b>	<b>Park Construction</b>	<b>Library</b>	<b>Stormwater Construction</b>	<b>Capital Bond Fund</b>	<b>Total Nonmajor Governmental Funds</b>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 538,282	
648,952	-	515,816	-	447,305	-	1,615,429	
-	-	-	-	-	-	326,440	
-	-	-	-	-	-	21,079	
-	20,886	185,857	58,711	65,629	-	361,942	
-	-	5,013,015	-	32,607	-	5,862,186	
-	-	-	-	725,905	-	730,332	
<u>648,952</u>	<u>20,886</u>	<u>5,714,688</u>	<u>58,711</u>	<u>1,271,446</u>	<u>-</u>	<u>9,455,690</u>	
-	-	-	-	-	-	516,739	
-	-	-	-	-	-	53,927	
-	19,981	-	-	-	-	19,981	
-	-	-	-	-	-	214	
719,081	-	-	-	-	-	1,352,555	
-	-	20,858	-	-	-	1,061,930	
-	-	-	-	9,220	-	9,220	
-	-	-	-	-	1,100,000	1,100,000	
-	-	-	-	-	-	24,309	
-	2,738,051	-	-	-	-	2,738,051	
-	-	-	5,874,869	-	-	5,874,869	
-	-	-	-	-	-	-	
-	-	4,814,606	-	-	-	4,814,606	
-	-	-	-	2,617,928	-	2,617,928	
<u>719,081</u>	<u>2,758,032</u>	<u>4,835,464</u>	<u>5,874,869</u>	<u>2,627,148</u>	<u>1,100,000</u>	<u>20,184,329</u>	
<u>(70,129)</u>	<u>(2,737,146)</u>	<u>879,224</u>	<u>(5,816,158)</u>	<u>(1,355,702)</u>	<u>(1,100,000)</u>	<u>(10,728,639)</u>	
-	2,423,610	2,524,095	275,000	1,110,821	1,100,000	7,433,526	
-	-	-	-	-	-	7,451	
80,000	-	-	-	590,000	-	1,539,454	
(600)	-	(195,000)	(3,187)	-	-	(531,723)	
<u>79,400</u>	<u>2,423,610</u>	<u>2,329,095</u>	<u>271,813</u>	<u>1,700,821</u>	<u>1,100,000</u>	<u>8,448,708</u>	
9,271	(313,536)	3,208,319	(5,544,345)	345,119	-	(2,279,931)	
52,866	2,294,269	10,376,851	6,505,560	6,619,689	-	28,849,511	
<u>\$ 62,137</u>	<u>\$ 1,980,733</u>	<u>\$ 13,585,170</u>	<u>\$ 961,215</u>	<u>\$ 6,964,808</u>	<u>\$ -</u>	<u>\$ 26,569,580</u>	

**CITY OF MCKINNEY, TEXAS  
 BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$18,867,247	\$18,867,247	\$19,053,706	\$ 186,459
Investment income	250,000	250,000	99,298	(150,702)
<b>Total revenues</b>	<u>19,117,247</u>	<u>19,117,247</u>	<u>19,153,004</u>	<u>35,757</u>
<b>EXPENDITURES</b>				
Principal retirement	9,575,000	9,575,000	9,905,035	(330,035)
Interest and fiscal charges	9,219,020	9,219,020	9,008,269	210,751
<b>Total expenditures</b>	<u>18,794,020</u>	<u>18,794,020</u>	<u>18,913,304</u>	<u>(119,284)</u>
Excess/(deficiency) of revenues over expenditures	<u>323,227</u>	<u>323,227</u>	<u>239,700</u>	<u>(83,527)</u>
Net changes in fund balances	323,227	323,227	239,700	(83,527)
Fund balances, beginning of year	<u>2,494,512</u>	<u>2,494,512</u>	<u>2,494,512</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,817,739</u>	<u>\$ 2,817,739</u>	<u>\$ 2,734,212</u>	<u>\$ (83,527)</u>

## **NON-MAJOR ENTERPRISE FUNDS**

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

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

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Golf Course</b>	<b>Surface Water Drainage</b>	<b>Total Non-major Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 57,921	\$ 1,367,979	\$ 1,425,900
Restricted assets:			
Cash and cash equivalents	10,000	-	10,000
Accounts receivable (net of allowance for uncollectibles)	18,548	200,281	218,829
<b>Total currents assets</b>	<b>86,469</b>	<b>1,568,260</b>	<b>1,654,729</b>
Non-current assets:			
Capital assets:			
Land	402,213	-	402,213
Buildings	539,769	-	539,769
Improvements other than buildings	2,522,526	-	2,522,526
Machinery and equipment	465,424	14,730	480,154
Less accumulated depreciation	(1,708,554)	(1,224)	(1,709,778)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>2,221,378</b>	<b>13,506</b>	<b>2,234,884</b>
<b>TOTAL ASSETS</b>	<b>2,307,847</b>	<b>1,581,766</b>	<b>3,889,613</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,631	24,724	31,355
Other accrued liabilities	-	34,244	34,244
Compensated Absences	-	1,376	1,376
<b>Total current liabilities</b>	<b>6,631</b>	<b>60,344</b>	<b>66,975</b>
Payable from restricted assets:			
Deposits	10,000	-	10,000
<b>Total current liabilities payable from restricted assets</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>
Non-current liabilities:			
Compensated absences	-	5,055	5,055
<b>Total non-current liabilities</b>	<b>-</b>	<b>5,055</b>	<b>5,055</b>
<b>TOTAL LIABILITIES</b>	<b>16,631</b>	<b>65,399</b>	<b>82,030</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,221,378	13,506	2,234,884
Unrestricted	69,838	1,502,861	1,572,699
<b>Total net assets</b>	<b>\$ 2,291,216</b>	<b>\$ 1,516,367</b>	<b>\$ 3,807,583</b>

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
FUND NET ASSETS- NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Golf Course</b>	<b>Surface Water Drainage</b>	<b>Total Non-major Enterprise Funds</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 8,212	\$ 1,684,830	\$ 1,693,042
Miscellaneous	71,239	-	71,239
<b>Total operating revenues</b>	<b>79,451</b>	<b>1,684,830</b>	<b>1,764,281</b>
<b>OPERATING EXPENSES</b>			
Personnel services	-	663,005	663,005
Materials and supplies	-	1,869	1,869
Maintenance	-	129,094	129,094
Utilities	-	14,124	14,124
Depreciation	187,769	1,224	188,993
Other	-	67,732	67,732
<b>Total operating expenses</b>	<b>187,769</b>	<b>877,048</b>	<b>1,064,817</b>
Operating income (loss)	(108,318)	807,782	699,464
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment income	357	14,986	15,343
<b>Total non-operating revenues</b>	<b>357</b>	<b>14,986</b>	<b>15,343</b>
Income(loss) before contributions and transfers	(107,961)	822,768	714,807
Transfers out	(5,000)	(591,200)	(596,200)
Change in net assets	(112,961)	231,568	118,607
<b>Total net assets - beginning</b>	<b>2,404,177</b>	<b>1,284,799</b>	<b>3,688,976</b>
<b>Total net assets - ending</b>	<b>\$ 2,291,216</b>	<b>\$ 1,516,367</b>	<b>\$ 3,807,583</b>

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Golf Course</b>	<b>Surface Water Drainage</b>	<b>Total Non-Major Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ (7,387)	\$ 1,674,167	\$ 1,666,780
Other operating revenues	71,239	-	71,239
Cash payments for employee services	-	(622,330)	(622,330)
Cash payments to suppliers for goods and services	(37,309)	(188,095)	(225,404)
<b>Net cash provided by operating activities</b>	<b>26,543</b>	<b>863,742</b>	<b>890,285</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers out	(5,000)	(591,200)	(596,200)
<b>Net cash used in non-capital financing activities</b>	<b>(5,000)</b>	<b>(591,200)</b>	<b>(596,200)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	-	(14,730)	(14,730)
<b>Net cash used in capital and related financing activities</b>	<b>-</b>	<b>(14,730)</b>	<b>(14,730)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment earnings	357	14,986	15,343
<b>Net cash provided by investing activities</b>	<b>357</b>	<b>14,986</b>	<b>15,343</b>
<b>Net increase in cash</b>	<b>21,900</b>	<b>272,798</b>	<b>294,698</b>
Cash and cash equivalents at beginning of year	46,021	1,095,181	1,141,202
Cash and cash equivalents at end of year	<u>\$ 67,921</u>	<u>\$ 1,367,979</u>	<u>\$ 1,435,900</u>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>			
Unrestricted cash and cash equivalents	\$ 57,921	\$ 1,367,979	\$ 1,425,900
Restricted cash and cash equivalents	10,000	-	10,000
	<u>\$ 67,921</u>	<u>\$ 1,367,979</u>	<u>\$ 1,435,900</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (108,318)	\$ 807,782	\$ 699,464
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	187,769	1,224	188,993
Provision for uncollectible	60	2,442	2,502
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(15,659)	(13,105)	(28,764)
Increase (decrease) in liabilities:			
Accounts payable	(27,796)	24,724	(3,072)
Accrued liabilities	(9,513)	34,244	24,731
Liability for accrued vacation	-	6,431	6,431
<b>Total adjustments</b>	<b>134,861</b>	<b>55,960</b>	<b>190,821</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 26,543</b>	<b>\$ 863,742</b>	<b>\$ 890,285</b>

# **FIDUCIARY FUNDS**



**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED SEPTEMBER 30, 2009**

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BB Owen Park	<b>Balance September 2008</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>Balance September 2009</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 10,602,894	\$ 136,473	\$ -	\$ 10,739,367
<b>Total Assets</b>	<u>\$ 10,602,894</u>	<u>\$ 136,473</u>	<u>\$ -</u>	<u>\$ 10,739,367</u>
 <b>LIABILITIES:</b>				
Other accrued liabilities	\$ 10,602,894	\$ 136,473	\$ -	\$ 10,739,367
<b>Total Liabilities</b>	<u>\$ 10,602,894</u>	<u>\$ 136,473</u>	<u>\$ -</u>	<u>\$ 10,739,367</u>



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

**CITY OF MCKINNEY, TEXAS  
COMBINING BALANCE SHEET-MCKINNEY ECONOMIC DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2009**

	<b>MEDC Operating Fund</b>	<b>Debt Service Fund</b>	<b>Debt Reserve Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 633,859	\$ -	\$ -	\$ 633,859
Restricted cash and cash equivalents	-	726,570	-	726,570
Investments	-	-	-	-
Accounts receivable	1,589,612	-	-	1,589,612
Due to primary government	-	-	-	-
Prepaid items	12,605	-	-	12,605
<b>Total assets</b>	<b>\$2,236,076</b>	<b>\$ 726,570</b>	<b>\$ -</b>	<b>\$2,962,646</b>
<b>LIABILITIES</b>				
Accounts payable	229,326	-	-	229,326
Other accrued liabilities	33,175	-	-	33,175
Deferred revenue	244,002	-	-	244,002
<b>Total liabilities</b>	<b>506,503</b>	<b>-</b>	<b>-</b>	<b>506,503</b>
<b>FUND BALANCES</b>				
Reserved for:				
Prepaid items	12,605	-	-	12,605
Advances to primary government	-	-	-	-
Unreserved				
Designated for debt service	-	726,570	-	726,570
Designated for debt service reserve balance	-	-	-	-
Unreserved, undesignated	1,716,968	-	-	1,716,968
<b>Total fund balances</b>	<b>1,729,573</b>	<b>726,570</b>	<b>-</b>	<b>2,456,143</b>
<b>Total liabilities and fund balances</b>	<b>\$2,236,076</b>	<b>\$ 726,570</b>	<b>\$ -</b>	<b>\$2,962,646</b>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS- MCKINNEY ECONOMIC  
DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2009**

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Total fund balance-governmental funds.	\$ 2,456,143
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	23,646,908
Accumulated depreciation has not been included in the governmental fund financial statements.	(171,935)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(29,170)
Bonds payable, contractual obligations and notes payable have not been included in the governmental fund financial statements.	(18,809,246)
Revenue reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statement.	244,002
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.	<u>(39,027)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 7,297,675</u></u>

**CITY OF MCKINNEY, TEXAS  
COMBINING STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - MCKINNEY ECONOMIC  
DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>MEDC Operating Fund</b>	<b>Debt Service Fund</b>	<b>Debt Reserve Fund</b>	<b>Elimination</b>	<b>Total</b>
<b>REVENUES</b>					
Sales and use taxes	\$ 8,155,285	\$ -	\$ -	\$ -	\$ 8,155,285
Investment income	282,819	14,551	3,147	-	300,517
Contributions	526,370	-	-	-	526,370
<b>Total revenues</b>	<b>8,964,474</b>	<b>14,551</b>	<b>3,147</b>	<b>-</b>	<b>8,982,172</b>
<b>EXPENDITURES</b>					
Economic development	5,945,203	-	-	-	5,945,203
Interest and fiscal charges	-	651,026	-	-	651,026
Principal payments	-	12,560,000	-	-	12,560,000
Capital Outlay	10,667,227	-	-	-	10,667,227
<b>Total expenditures</b>	<b>16,612,430</b>	<b>13,211,026</b>	<b>-</b>	<b>-</b>	<b>29,823,456</b>
Excess (deficiency) of revenues over expenditures	(7,647,956)	(13,196,475)	3,147	-	(20,841,284)
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	-	11,070,000	-	-	11,070,000
Transfers in	569,788	2,099,704	-	(2,669,492)	-
Transfers out	(2,099,704)	-	(569,788)	2,669,492	-
<b>Total other financing sources (uses):</b>	<b>(1,529,916)</b>	<b>13,169,704</b>	<b>(569,788)</b>	<b>-</b>	<b>11,070,000</b>
Excess (deficiency) of revenues and other sources over expenditures	(9,177,872)	(26,771)	(566,641)	-	(9,771,284)
Fund balances, beginning of year	10,907,445	753,341	566,641	-	12,227,427
Fund balances, end of year	<u>\$ 1,729,573</u>	<u>\$ 726,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,456,143</u>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES - MCKINNEY ECONOMIC DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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Net change in fund balances- total governmental funds.	\$ (9,771,284)
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 2009 capital outlays is to increase net assets.	10,667,227
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.	(15,290)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	12,560,000
Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the liabilities government-wide financial statements.	(11,070,000)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	24,074
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(353,005)
Additions to vacation and sick liabilities are not shown in the fund financial statements. The net effect of the current year increase is to decrease net assets.	<u>(7,689)</u>
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 2,034,033</u></u></b>

**CITY OF MCKINNEY, TEXAS  
 BALANCE SHEET- MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
 SEPTEMBER 30, 2009**

	<b>McKinney Community Development Corporation</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,253,857
Investments	8,343,075
Accounts receivable	1,425,331
Prepaid items	3,270
<b>Total assets</b>	<b>\$ 21,025,533</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 580,896
Other accrued liabilities	8,038
<b>Total liabilities</b>	<b>588,934</b>
<b>FUND BALANCES</b>	
Reserved for:	
Prepaid items	3,270
Unreserved	
Unreserved, undesignated	20,433,329
<b>Total fund balances</b>	<b>20,436,599</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,025,533</b>

**CITY OF MCKINNEY, TEXAS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET  
ASSETS - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2009**

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Total fund balance-governmental funds.	\$ 20,436,599
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	540,960
Accumulated depreciation has not been included in the governmental fund financial statements.	(8,431)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	<u>(10,002)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 20,959,126</u></b>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - MCKINNEY COMMUNITY DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<b>McKinney Community Development Corporation</b>
<b>REVENUES</b>	
Sales and use taxes	\$ 8,155,285
Investment income	518,473
<b>Total revenues</b>	<u>8,673,758</u>
<b>EXPENDITURES</b>	
Community development	<u>9,960,482</u>
<b>Total expenditures</b>	9,960,482
Deficiency of revenues over expenditures	(1,286,724)
Fund balances, beginning of year	<u>21,723,323</u>
Fund balances, end of year	<u><u>\$ 20,436,599</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  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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Net change in fund balances- total governmental funds. \$ (1,286,724)

Additions to vacation and sick liabilities are not shown in the fund financial statements.  
The net effect of the current year increase is to decrease net assets. (10,002)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (1,296,726)

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF NET ASSETS- MCKINNEY AIRPORT DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2009**

	<u>McKinney Airport</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 373,831
Restricted assets:	
Cash and cash equivalents	5,623,378
Receivables (net of allowance for uncollectibles)	1,761
Due from other governments	50,000
Prepaid items	285
	<hr/>
<b>Total current assets</b>	<b>6,049,255</b>
Capital assets:	
Land	13,851,019
Buildings	1,467,062
Improvements other than buildings	17,759,138
Machinery and equipment	437,652
Construction in progress	13,648,898
Less accumulated depreciation	(9,130,887)
	<hr/>
<b>Total capital assets (net of accumulated depreciation)</b>	<b>38,032,882</b>
	<hr/>
<b>Total non-current assets</b>	<b>38,032,882</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 44,082,137</b>
	<hr/> <hr/>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 155,566
Other accrued liabilities	20,655
Compensated absences	5,461
	<hr/>
<b>Total current liabilities unrestricted</b>	<b>181,682</b>
Liabilities (payable from restricted assets):	
Accounts payable	18,885
Deposits	17,714
	<hr/>
<b>Total current liabilities (payable from restricted assets)</b>	<b>36,599</b>
	<hr/>
<b>Total current liabilities</b>	<b>218,281</b>
Non-current liabilities:	
Compensated absences	20,056
	<hr/>
<b>Total noncurrent liabilities</b>	<b>20,056</b>
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>238,337</b>
	<hr/> <hr/>
<b>NET ASSETS</b>	
Invested in capital assets	38,032,882
Unrestricted	5,810,918
	<hr/>
<b>TOTAL NET ASSETS</b>	<b>\$ 43,843,800</b>
	<hr/> <hr/>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - MCKINNEY  
AIRPORT DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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	<u>McKinney Airport</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 439,573
Intergovernmental	79,261
Miscellaneous	<u>17,635</u>
<b>Total operating revenues</b>	<u>536,469</u>
 <b>OPERATING EXPENSES</b>	
Personnel services	408,483
Materials and supplies	21,847
Maintenance	59,338
Contract payments	432,039
Utilities	44,186
Depreciation	772,088
Other	<u>38,854</u>
<b>Total operating expenses</b>	<u>1,776,835</u>
Operating loss	<u>(1,240,366)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	1,253,443
Investment income	<u>70,297</u>
<b>Total non-operating revenues</b>	<u>1,323,740</u>
Income before contributions	<u>83,374</u>
Contributions	<u>1,859,886</u>
Change in net assets	1,943,260
<b>Total net assets-beginning</b>	<u>41,900,540</u>
<b>Total net assets-ending</b>	<u><u>\$ 43,843,800</u></u>

**CITY OF MCKINNEY, TEXAS  
STATEMENT OF CASH FLOWS- MCKINNEY AIRPORT DEVELOPMENT CORPORATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>McKinney Airport</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 412,864
Other operating revenues	96,896
Cash payments to employees for services	(398,490)
Cash payments to suppliers for goods and services	(479,543)
<b>Net cash used in operating activities</b>	<u>(368,273)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(3,183,674)
Capital grants	1,253,443
Contributions	1,859,886
<b>Cash provided by capital         and related financing activities</b>	<u>(70,345)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	70,297
<b>Cash provided by investing activities</b>	<u>70,297</u>
Net decrease in cash	(368,321)
Cash and cash equivalents at beginning of year	6,365,530
Cash and cash equivalents at end of year	<u>\$ 5,997,209</u>
<b>RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET ASSETS</b>	
Unrestricted cash and cash equivalents	\$ 373,831
Restricted cash and cash equivalents	5,623,378
	<u>\$ 5,997,209</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (1,240,366)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	772,088
Change in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(26,709)
Prepaid expense	2,885
Increase (decrease) in liabilities:	
Accounts payable	113,836
Accrued liabilities	5,164
Liability for accrued vacation	4,829
Total adjustments	<u>872,093</u>
<b>Net cash used in operating activities</b>	<u>\$ (368,273)</u>

# **STATISTICAL SECTION**



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

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

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

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

	Fiscal Year	
	<u>2003</u>	<u>2004</u>
Governmental activities		
Invested in capital assets (net of related debt)	\$ 178,913,077	\$ 190,303,137
Restricted for:		
Use of impact fees	-	5,275,989
Highways and streets	-	-
Debt service	1,113,696	1,473,936
Grants	-	242,563
Unrestricted	26,272,630	50,881,072
<b>Total governmental activities net assets</b>	<b>\$ 206,299,403</b>	<b>\$ 248,176,697</b>
Business-type activities		
Invested in capital assets (net of related debt)	\$ 103,016,383	\$ 122,314,816
Restricted for:		
Use of impact fees	3,956,901	5,420,092
Debt service	1,747,113	2,060,200
Unrestricted	32,655,654	30,660,151
<b>Total business-type activities net assets</b>	<b>\$ 141,376,051</b>	<b>\$ 160,455,259</b>
Primary government		
Invested in capital assets (net of related debt)	\$ 281,929,460	\$ 312,617,953
Restricted for:		
Use of impact fees	3,956,901	10,696,081
Highways and streets	-	-
Debt service	2,860,809	3,534,136
Grants	-	242,563
Unrestricted	58,928,284	81,541,223
<b>Total primary governmental net assets</b>	<b>\$ 347,675,454</b>	<b>\$ 408,631,956</b>

**Source:** Comprehensive Annual Financial Report

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

**Note 2:** Net assets have been restated to reflect the omission of the McKinney Airport Development Corporation from the Primary Government.

TABLE 1

<b>Fiscal Year</b>				
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 237,354,450	\$ 267,326,939	\$ 297,203,029	\$ 239,601,800	\$ 285,415,013
6,931,347	6,682,804	5,914,879	5,876,387	5,849,676
-	-	-	40,323,951	42,770,468
385,799	1,608,313	1,265,064	1,504,492	1,812,651
117,354	-	57,510	(80,186)	62,137
33,120,488	42,300,986	43,964,963	59,504,710	59,789,506
<u>\$ 277,909,438</u>	<u>\$ 317,919,042</u>	<u>\$ 348,405,445</u>	<u>\$ 346,731,154</u>	<u>\$ 395,699,451</u>
\$ 143,430,759	\$ 162,966,613	\$ 176,356,253	\$ 180,859,674	\$ 171,936,373
2,336,291	3,853,405	1,646,162	1,760,033	2,083,128
2,391,615	1,146,486	3,248,974	3,707,091	4,151,257
34,690,519	42,372,380	46,817,740	55,657,877	89,351,500
<u>\$ 182,849,184</u>	<u>\$ 210,338,884</u>	<u>\$ 228,069,129</u>	<u>\$ 241,984,675</u>	<u>\$ 267,522,258</u>
\$ 380,785,209	\$ 430,293,552	\$ 473,559,282	\$ 420,461,474	\$ 457,351,386
9,267,638	10,536,209	7,561,041	7,636,420	7,932,804
-	-	-	40,323,951	42,770,468
2,777,414	2,754,799	4,514,038	5,211,583	5,963,908
117,354	-	57,510	(80,186)	62,137
67,811,007	84,673,366	90,782,703	115,162,587	149,141,006
<u>\$ 460,758,622</u>	<u>\$ 528,257,926</u>	<u>\$ 576,474,574</u>	<u>\$ 588,715,829</u>	<u>\$ 663,221,709</u>

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

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>							
Governmental activities:							
General government	\$ 6,001,097	\$ 4,502,994	\$ 11,891,231	\$ 14,237,599	\$ 16,272,807	\$ 24,353,817	\$ 20,549,889
Police	11,274,531	8,453,628	11,666,150	13,966,596	17,171,278	19,724,792	20,881,195
Fire	9,885,772	9,467,298	10,513,209	12,676,417	15,371,027	17,477,479	19,371,301
Libraries	2,216,319	2,171,326	2,381,996	2,497,842	2,624,278	2,753,427	2,894,683
Development	7,491,589	8,598,720	7,388,866	7,376,473	9,623,067	10,269,748	10,111,877
Parks and recreation	5,167,818	5,039,524	5,896,142	7,206,606	7,788,351	8,645,291	9,383,872
Public works	15,893,243	17,646,281	19,014,444	22,504,074	25,163,366	38,499,039	30,724,972
Other	2,793,801	3,102,824	-	-	-	-	-
Interest on long-term debt	3,300,896	4,585,441	4,784,081	5,059,203	8,108,639	7,980,156	9,045,551
Airport	653,178	1,440,169	1,150,965	3,218,089	614,282	8,541,987	1,850,442
<b>Total governmental activities expenses</b>	<b>64,678,244</b>	<b>65,008,205</b>	<b>74,687,084</b>	<b>88,742,899</b>	<b>102,737,095</b>	<b>138,245,736</b>	<b>124,813,782</b>
Business-type activities:							
Water/Wastewater	20,053,463	23,695,455	26,933,863	29,812,732	34,284,602	37,755,782	41,467,962
Solid Waste	2,569,876	3,251,727	3,928,218	3,939,969	4,625,896	5,492,531	5,724,412
Golf Course	1,065,050	1,112,196	1,070,936	1,031,145	963,658	971,187	187,769
Surface Water Drainage	133,581	320,919	400,622	48,944	25,000	63,944	877,048
<b>Total business-type activities expenses</b>	<b>23,821,970</b>	<b>28,380,297</b>	<b>32,333,639</b>	<b>34,832,790</b>	<b>39,899,156</b>	<b>44,283,444</b>	<b>48,257,191</b>
<b>Total primary government expenses</b>	<b>\$ 88,500,214</b>	<b>\$ 93,388,502</b>	<b>\$ 107,020,723</b>	<b>\$ 123,575,689</b>	<b>\$ 142,636,251</b>	<b>\$ 182,529,180</b>	<b>\$ 173,070,973</b>
<b>Program Revenues</b>							
Governmental activities:							
Charges for Services:							
General government	\$ 1,700,366	\$ 3,140,327	\$ 2,025,502	\$ 2,351,508	\$ 2,356,380	\$ 2,631,063	\$ 2,692,338
Police	194,677	118,293	1,488,554	1,320,381	1,737,930	3,771,316	2,689,592
Fire	591,876	611,379	1,383,419	1,295,885	985,641	1,475,731	1,607,943
Libraries	28,891	33,368	32,971	125,585	115,841	55,649	71,437
Development	5,935,022	6,587,926	6,821,159	7,407,719	5,410,173	4,283,881	3,949,296
Parks and recreation	415,748	532,230	557,662	894,362	929,376	1,020,734	1,123,973
Other	46,673	159,308	-	-	-	-	-
Operating grants and contributions	1,124,242	14,139,287	3,117,815	2,555,338	1,932,999	1,889,584	1,932,360
Capital grants and contributions	30,211,058	26,983,492	32,856,489	38,605,660	33,563,709	29,065,497	63,619,883
<b>Total governmental activities program revenues</b>	<b>40,248,553</b>	<b>52,305,610</b>	<b>48,283,571</b>	<b>54,556,438</b>	<b>47,032,049</b>	<b>44,193,455</b>	<b>77,686,822</b>
Business-type activities:							
Charges for Services:							
Water/Wastewater	22,653,778	27,038,928	32,446,505	39,393,138	35,082,265	38,004,807	45,499,621
Solid Waste	2,910,807	3,402,953	5,539,419	6,369,958	6,430,735	6,719,134	6,372,156
Golf Course	895,774	954,446	932,279	965,268	811,557	918,519	79,451
Surface Water Drainage	441,288	480,998	517,383	552,162	622,531	1,586,333	1,684,830
Operating grants and contributions	183,027	40,636	50,400	-	-	-	-
Capital grants and contributions	11,168,778	18,132,041	12,821,901	15,124,649	13,160,529	10,891,962	21,663,743
<b>Total business-type activities program revenues</b>	<b>38,253,452</b>	<b>50,050,002</b>	<b>52,307,887</b>	<b>62,405,175</b>	<b>56,107,617</b>	<b>58,120,755</b>	<b>75,299,801</b>
<b>Total primary government program revenues</b>	<b>\$ 78,502,005</b>	<b>\$ 102,355,612</b>	<b>\$ 100,591,458</b>	<b>\$ 116,961,613</b>	<b>\$ 103,139,666</b>	<b>\$ 102,314,210</b>	<b>\$ 152,986,623</b>

(continued)

**TABLE 2**

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
<b>Net (Expenses) Revenue</b>							
Governmental activities	\$ (24,429,691)	\$ (12,702,595)	\$ (26,403,513)	\$ (34,186,461)	\$ (55,705,046)	\$ (94,052,281)	\$ (47,126,960)
Business-type activities	14,431,482	21,669,705	19,974,248	27,572,385	16,208,461	13,837,311	27,042,610
Total primary government net expenses	<u>\$ (9,998,209)</u>	<u>\$ 8,967,110</u>	<u>\$ (6,429,265)</u>	<u>\$ (6,614,076)</u>	<u>\$ (39,496,585)</u>	<u>\$ (80,214,970)</u>	<u>\$ (20,084,350)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes:							
Property taxes	\$ 30,863,377	\$ 34,354,015	\$ 38,367,588	\$ 43,300,502	\$ 49,300,666	\$ 57,707,103	\$ 62,815,581
Sales and use taxes	8,218,570	9,572,791	12,179,328	14,030,309	16,080,140	17,636,222	17,079,384
Franchise taxes	5,440,761	5,907,349	6,918,032	8,661,620	8,462,571	9,633,525	9,724,093
Investment income	1,302,588	1,522,920	2,513,508	5,455,210	7,882,249	4,950,865	2,764,578
Gain on sale of capital assets	71,315	55,508	80,482	-	-	-	37,016
Miscellaneous	-	-	62,581	44,291	124,472	162,353	840,762
Contributions	-	-	(6,027,093)	-	-	-	-
Transfers	1,547,623	3,167,306	2,041,828	2,704,133	2,483,516	2,287,922	2,833,843
Prior period adjustment	-	-	-	-	1,857,835	-	-
<b>Total governmental activities</b>	<u>47,444,234</u>	<u>54,579,889</u>	<u>56,136,254</u>	<u>74,196,065</u>	<u>86,191,449</u>	<u>92,377,990</u>	<u>96,095,257</u>
Business-type activities:							
Investment income	764,703	889,810	1,164,701	2,621,448	3,688,586	2,315,647	1,318,112
Gain on sale of capital assets	3,742	(313,001)	24,808	-	32,147	50,510	10,704
Contributions	-	-	3,271,996	-	-	-	-
Transfers	(1,547,623)	(3,167,306)	(2,041,828)	(2,704,133)	(2,483,516)	(2,287,922)	(2,833,843)
Prior period adjustment	-	-	-	-	284,567	-	-
<b>Total business-type activities</b>	<u>(779,178)</u>	<u>(2,590,497)</u>	<u>2,419,677</u>	<u>(82,685)</u>	<u>1,521,784</u>	<u>78,235</u>	<u>(1,505,027)</u>
<b>Total primary government</b>	<u>\$ 46,665,056</u>	<u>\$ 51,989,392</u>	<u>\$ 58,555,931</u>	<u>\$ 74,113,380</u>	<u>\$ 87,713,233</u>	<u>\$ 92,456,225</u>	<u>\$ 94,590,230</u>
<b>Change in Net Assets</b>							
Governmental activities	\$ 23,014,543	\$ 41,877,294	\$ 29,732,741	\$ 40,009,604	\$ 30,486,403	\$ (1,674,291)	\$ 48,968,297
Business-type activities	13,652,304	19,079,208	22,393,925	27,489,700	17,730,245	13,915,546	25,537,583
<b>Total primary government</b>	<u>\$ 36,666,847</u>	<u>\$ 60,956,502</u>	<u>\$ 52,126,666</u>	<u>\$ 67,499,304</u>	<u>\$ 48,216,648</u>	<u>\$ 12,241,255</u>	<u>\$ 74,505,880</u>

(concluded)

**Source:** Comprehensive Annual Financial Report

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

**Note 2:** Net assets have been restated to reflect the omission of the McKinney Airport Development Corporation from the Primary Government.

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

	Fiscal Year		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
General Fund			
Reserved for:			
Inventory and prepaid items	\$ 44,717	\$ 76,793	\$ 123,204
Advance to other funds	-	-	-
Note receivable from component unit	-	-	-
Encumbrances	206,521	-	-
Designated			
Insurance risk	-	-	-
Unreserved	<u>12,791,692</u>	<u>16,941,897</u>	<u>25,007,305</u>
<b>Total general fund</b>	<b><u>\$ 13,042,930</u></b>	<b><u>\$ 17,018,690</u></b>	<b><u>\$ 25,130,509</u></b>
All Other Governmental Funds			
Reserved for:			
Prepaid items	\$ -	\$ -	\$ -
Debt service	1,319,745	1,486,213	1,616,712
Street construction	-	-	-
Capital projects funds	27,019,232	32,131,417	26,534,028
Unreserved, reported in:			
Special revenue funds	<u>516,738</u>	<u>932,193</u>	<u>1,659,282</u>
<b>Total all other governmental funds</b>	<b><u>\$ 28,855,715</u></b>	<b><u>\$ 34,549,823</u></b>	<b><u>\$ 29,810,022</u></b>

**Source:** Comprehensive Annual Financial Report

**TABLE 3**

<b>Fiscal Year</b>						
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 58,409	\$ 82,878	\$ 573,578	\$ 523,923	\$ 753,219	\$ 855,944	\$ 311,677
815,727	850,000	1,005,000	725,000	589,000	-	-
-	1,715,000	2,135,000	1,695,000	1,240,000	775,000	10,355,000
-	-	-	-	-	-	-
-	-	-	3,682,374	2,472,273	2,291,879	1,600,559
26,100,159	26,490,722	31,615,982	38,086,490	40,181,816	40,360,342	29,449,244
<u>\$ 26,974,295</u>	<u>\$ 29,138,600</u>	<u>\$ 35,329,560</u>	<u>\$ 44,712,787</u>	<u>\$ 45,236,308</u>	<u>\$ 44,283,165</u>	<u>\$ 41,716,480</u>
\$ 1,000,306	\$ 5,370	\$ 6,807	\$ 1,520	\$ 11,213	\$ 29,836	\$ 743,156
1,113,696	1,473,936	960,697	1,737,689	2,054,266	2,494,512	2,734,212
23,442,121	34,733,654	38,621,728	58,313,044	57,071,884	40,323,951	42,247,778
11,895,896	12,805,731	22,606,722	16,686,851	23,877,681	29,569,488	34,386,103
1,642,901	1,524,448	2,878,919	3,248,852	3,129,123	3,023,306	2,351,298
<u>\$ 39,094,920</u>	<u>\$ 50,543,139</u>	<u>\$ 65,074,873</u>	<u>\$ 79,987,956</u>	<u>\$ 86,144,167</u>	<u>\$ 75,441,093</u>	<u>\$ 82,462,547</u>

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

	Fiscal Year			
	2000	2001	2002	2003
<b>REVENUES</b>				
Property taxes	\$ 17,976,459	\$ 21,409,974	\$ 25,428,666	\$ 30,863,377
Sales and use taxes	6,757,103	7,392,255	7,650,205	8,218,570
Franchise taxes	3,646,645	4,617,922	5,296,190	5,296,216
Licenses and permits	4,425,373	5,305,311	5,595,640	5,801,569
Intergovernmental	831,043	831,013	472,074	996,141
Charges for services	1,278,439	1,566,365	2,007,373	2,356,576
Fines and forfeitures	613,465	886,284	887,031	841,413
Assessments	19,568	16,599	3,222	-
Investment income	2,775,713	3,453,530	1,906,103	1,302,588
Contributions	1,810,110	4,707,730	2,275,629	4,468,905
Miscellaneous	85,224	271,516	463,682	503,656
<b>Total revenues</b>	<b>40,219,142</b>	<b>50,458,499</b>	<b>51,985,815</b>	<b>60,649,011</b>
<b>EXPENDITURES</b>				
General government	4,624,152	5,193,169	6,987,024	7,139,531
Police	6,584,506	7,243,811	8,019,292	9,865,889
Fire	4,739,746	6,290,053	7,293,830	9,181,035
Libraries	1,099,065	1,244,172	1,587,262	1,961,604
Development	605,726	3,920,910	4,199,583	6,213,481
Parks and recreation	2,692,512	2,780,775	3,288,373	7,446,216
Public works	4,338,357	4,540,442	4,519,086	6,531,238
Airport	345,147	3,283,337	693,686	617,043
Other	696,492	1,590,507	2,167,555	2,690,740
Capital outlay	9,782,098	13,309,377	17,728,004	12,143,880
Debt service:				
Principal retirement	3,112,921	3,821,534	4,409,099	5,291,405
Interest and fiscal charges	2,069,414	2,297,412	2,712,347	3,279,354
<b>Total expenditures</b>	<b>40,690,136</b>	<b>55,515,499</b>	<b>63,605,141</b>	<b>72,361,416</b>
Excess (deficiency) of revenues over (under) expenditures	(470,994)	(5,057,000)	(11,619,326)	(11,712,405)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	14,580,000	12,065,200	8,282,600	21,260,577
Deposit to escrow account	-	-	-	-
Premium on issuance of debt	-	-	-	-
Proceeds from capital lease	-	-	-	-
Residual equity transfers	112,063	858,870	4,199,199	-
Proceeds from sale of property	62,960	3,000	98,073	107,362
Transfers in	4,254,609	7,588,536	3,530,142	5,662,938
Transfers in from component unit	2,320,711	625,947	1,020,250	-
Transfers out	(3,943,362)	(6,414,685)	(2,138,920)	(4,189,788)
Transfers out to component unit	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>17,386,981</b>	<b>14,726,868</b>	<b>14,991,344</b>	<b>22,841,089</b>
Prior period adjustment	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 16,915,987</b>	<b>\$ 9,669,868</b>	<b>\$ 3,372,018</b>	<b>\$ 11,128,684</b>
Debt service as a percentage of noncapital expenditures	16.8%	14.5%	15.5%	14.2%

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year						
2004	2005	2006	2007	2008	2009	
\$ 34,421,989	\$ 38,209,386	\$ 43,188,169	\$ 49,491,145	\$ 57,723,642	\$ 62,832,495	
9,572,791	12,179,328	14,030,309	16,080,140	17,636,222	17,079,384	
5,895,958	6,918,032	9,549,688	8,526,059	9,591,738	9,759,548	
6,458,368	7,030,562	7,646,826	5,651,313	5,011,193	4,726,614	
1,760,457	3,481,247	4,432,442	6,077,805	5,700,988	15,403,491	
2,943,591	3,023,716	4,019,262	4,140,201	4,353,096	4,867,661	
1,058,231	985,833	1,383,144	1,777,098	2,220,418	2,276,354	
-	-	-	-	-	-	
1,522,920	2,513,508	5,455,210	7,882,249	5,343,879	2,741,843	
7,017,011	11,210,592	13,233,500	5,332,359	8,102,152	14,668,141	
7,909,483	154,034	187,019	258,403	483,547	902,222	
<u>78,560,799</u>	<u>85,706,238</u>	<u>103,125,569</u>	<u>105,216,772</u>	<u>116,166,875</u>	<u>135,257,753</u>	
9,740,384	10,887,570	12,994,536	14,913,949	16,483,361	18,761,860	
10,544,857	11,028,188	13,247,346	16,273,783	18,860,105	19,923,024	
8,907,146	9,729,318	11,919,118	14,473,038	16,227,513	17,894,488	
2,089,776	2,138,239	2,233,304	2,349,242	2,489,144	2,638,350	
4,055,123	7,223,146	7,056,221	9,305,154	9,939,989	9,790,213	
4,266,251	4,776,586	5,785,330	5,945,941	6,733,160	7,399,164	
7,302,929	6,535,672	9,145,253	9,964,055	21,786,333	12,275,920	
1,440,169	650,000	3,614,677	614,282	8,541,987	1,850,442	
3,063,074	-	-	-	-	-	
33,324,468	34,561,215	41,031,431	35,697,217	50,500,331	52,493,363	
5,161,938	6,889,362	6,168,369	6,722,708	8,370,008	9,905,035	
4,233,691	4,466,476	5,354,320	7,459,981	7,677,731	9,008,269	
<u>94,129,806</u>	<u>98,885,772</u>	<u>118,549,905</u>	<u>123,719,350</u>	<u>167,609,662</u>	<u>161,940,128</u>	
<u>(15,569,007)</u>	<u>(13,179,534)</u>	<u>(15,424,336)</u>	<u>(18,502,578)</u>	<u>(51,442,787)</u>	<u>(26,682,375)</u>	
25,930,904	31,705,000	64,015,000	20,490,000	37,205,000	28,210,000	
-	-	(27,926,115)	-	-	-	
-	411,233	347,801	56,933	-	-	
-	-	379,683	-	-	-	
-	-	-	-	-	-	
79,254	241,065	30,897	294,026	293,648	93,301	
7,419,827	5,132,157	4,979,364	6,460,890	4,662,194	4,938,797	
-	-	-	-	-	-	
(4,248,454)	(3,587,227)	(2,105,984)	(3,977,374)	(2,374,272)	(2,104,954)	
-	-	-	-	-	-	
<u>29,181,531</u>	<u>33,902,228</u>	<u>39,720,646</u>	<u>23,324,475</u>	<u>39,786,570</u>	<u>31,137,144</u>	
-	-	-	1,857,835	-	-	
<u>\$ 13,612,524</u>	<u>\$ 20,722,694</u>	<u>\$ 24,296,310</u>	<u>\$ 6,679,732</u>	<u>\$ (11,656,217)</u>	<u>\$ 4,454,769</u>	
15.5%	17.7%	14.9%	16.1%	13.7%	17.3%	

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

**TABLE 5**

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Lots, Land and Farms Property</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value<sup>a</sup></b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value<sup>b</sup> as a Percentage of Actual Value</b>
2000	\$ 1,868,648,186	\$ 1,152,016,172	\$ 406,358,332	\$ 576,343,776	\$ 2,850,678,914	\$ 0.59800	\$ 3,427,022,690	100.00%
2001	2,327,225,547	1,278,719,145	579,604,155	656,622,186	3,528,926,661	\$ 0.59800	4,185,548,847	100.00%
2002	2,748,381,710	1,330,682,726	752,526,537	675,452,008	4,156,138,965	\$ 0.59800	4,831,590,973	100.00%
2003	3,366,376,924	1,442,807,072	1,004,229,613	770,583,751	5,042,829,858	\$ 0.59800	5,813,413,609	100.00%
2004	3,843,041,571	1,492,929,792	1,048,331,414	812,651,649	5,571,651,128	\$ 0.59800	6,652,191,921	95.97%
2005	4,362,694,614	1,621,362,851	1,107,370,436	844,204,688	6,247,223,213	\$ 0.59300	7,372,722,564	96.18%
2006	4,968,430,438	1,930,626,833	1,148,679,747	959,983,795	7,087,753,223	\$ 0.58800	8,349,977,655	96.38%
2007	5,795,848,917	2,118,454,275	1,384,973,885	1,079,023,763	8,220,253,314	\$ 0.58800	9,624,206,233	96.62%
2008	6,791,710,804	2,484,651,531	1,625,116,907	361,117,844	9,648,855,100	\$ 0.58550	11,330,933,129	96.21%
2009	7,403,164,789	2,870,687,709	1,579,799,525	1,263,350,246	10,590,301,777	\$ 0.58550	12,333,912,656	96.11%

**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.

<sup>a</sup> Includes adjustments to certified rolls.

<sup>b</sup> Includes tax exempt property.

**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 Debt Service	Total Direct	McKinney Independent School District	Allen Independent School District	Frisco Independent School District	Melissa Independent School District	Prosper Independent School District	Love Joy Independent School District	Collin County	Collin County Community College District
2000	\$ 0.42830	\$ 0.16970	\$ 0.59800	\$ 1.59000	\$ 1.89290	\$ 1.40000	\$ 1.59800	\$ 1.53952	\$ 1.65000	\$ 0.25000	\$ 0.09672
2001	0.42013	0.17787	0.59800	1.64000	1.76204	1.42000	1.59245	1.52220	1.62000	0.25000	0.09405
2002	0.41898	0.17902	0.59800	1.78500	1.83142	1.44000	1.71127	1.72025	1.62000	0.25000	0.09284
2003	0.43445	0.16355	0.59800	1.94500	1.80820	1.49750	1.69562	1.76096	1.60000	0.25000	0.09195
2004	0.42145	0.17655	0.59800	1.98000	1.87230	1.51750	1.87887	1.81990	1.70300	0.25000	0.09193
2005	0.44132	0.15168	0.59300	2.00000	1.93335	1.55750	1.99000	1.95150	1.82340	0.25000	0.09065
2006	0.40900	0.17900	0.58800	2.00000	1.91246	1.63000	1.91000	1.97531	1.82340	0.25000	0.08942
2007	0.41817	0.16983	0.58800	1.84100	1.77510	1.58000	1.78000	1.80000	1.69340	0.24500	0.08768
2008	0.41923	0.16627	0.58550	1.51700	1.47030	1.35000	1.53500	1.67000	1.47630	0.24500	0.08698
2009	0.40650	0.17900	0.58550	1.51700	1.47030	1.37000	1.54000	1.49000	1.51500	0.24250	0.08649

Source: Collin Central Appraisal District

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

**TABLE 7**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value <sup>a</sup>	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value <sup>b</sup>
Encore Wire Limited	\$ 97,223,279	1	0.92%	\$ 55,363,794	3	1.94%
Raytheon TI Systems, Inc.	76,937,590	2	0.73%	56,063,414	2	1.97%
Columbia Medical Center of McKinney	55,154,734	3	0.52%	—	—	—
Oncor Electric Delivery Co.	52,138,157	4	0.49%	—	—	—
Venetians Craig Ranch LP	50,020,126	5	0.47%	—	—	—
McKinney Towne Crossing LP	40,460,052	6	0.38%	—	—	—
Covington Cameron Acquisition LLC	39,007,947	7	0.37%	—	—	—
Blockbuster Video, Inc.	37,907,992	8	0.36%	70,990,903	1	2.49%
Saxon Woods Associates, LP	36,200,000	9	0.34%	—	—	—
Wal-Mart Stores Texas LLC	32,834,083	10	0.31%	—	—	—
Westerra Stonebridge	—	—	—	45,738,617	4	1.60%
McKinney / Hunt CC Ltd.	—	—	—	33,314,688	5	1.17%
Texas Utilities	—	—	—	30,699,463	6	1.08%
Southwestern Bell Telephone	—	—	—	20,814,590	7	0.73%
CAT Eldorado Ltd.	—	—	—	20,305,873	8	0.71%
HCA Health Services of Texas, Inc.	—	—	—	20,185,833	9	0.71%
Texas Instruments, Inc	—	—	—	18,123,132	10	0.64%
<b>Total</b>	<b>\$ 517,883,960</b>		<b>4.89%</b>	<b>\$ 371,600,307</b>		<b>13.04%</b>

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

**Notes:** <sup>a</sup> Taxpayers are assessed on January 1, 2008 (2008 tax year) for the 2009 fiscal year.

<sup>b</sup> Taxpayers are assessed on January 1, 1999 (1999 tax year) for the 2000 fiscal year.

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

**TABLE 8**

<b>Fiscal Year Ended September 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of levy</b>		<b>Amount</b>	<b>Percentage of levy</b>
2000	\$ 17,667,706	\$ 17,370,876	98.32%	\$ 288,413	\$ 17,659,289	99.95%
2001	21,263,377	20,876,708	98.18%	373,747	21,250,455	99.94%
2002	25,060,682	24,636,709	98.31%	398,611	25,035,320	99.90%
2003	30,525,136	29,844,231	97.77%	645,651	30,489,882	99.88%
2004	34,011,588	33,452,893	98.36%	523,265	33,976,158	99.90%
2005	37,763,635	37,039,384	98.08%	654,090	37,693,474	99.81%
2006	42,686,986	41,731,410	97.76%	863,564	42,594,974	99.78%
2007	48,607,924	47,974,805	98.70%	534,040	48,508,845	99.80%
2008	56,776,558	56,166,777	98.93%	443,744	56,610,521	99.71%
2009	62,280,815	61,576,965	98.87%	-	61,576,965	98.87%

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

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

**TABLE 9**

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations			
2000	\$ 38,521,319	\$ 3,954,999	\$ 681,954	\$ 13,110,000	\$ 86,728	\$56,355,000	3.68%	1,037
2001	42,436,645	10,920,000	1,010,540	22,445,000	75,966	76,888,151	4.62%	1,303
2002	43,147,461	14,220,001	803,056	26,120,000	85,718	84,376,236	4.50%	1,267
2003	57,471,192	19,755,001	5,838,436	31,180,000	(131,014)	114,113,615	5.46%	1,540
2004	72,935,000	23,445,001	2,666,186	38,180,000	(174,141)	137,052,046	5.66%	1,596
2005	81,845,000	39,330,000	2,166,370	49,730,000	195,172	173,266,542	5.68%	1,829
2006	111,165,000	40,900,000	2,355,673	63,900,000	(140,832)	218,179,841	6.46%	2,081
2007	127,240,000	38,675,000	2,785,323	67,175,000	(81,853)	235,793,470	6.36%	2,047
2008	145,515,000	49,315,000	3,364,894	75,085,000	129,450	273,409,344	7.02%	2,260
2009	146,080,000	67,115,000	3,743,817	81,025,000	148,043	298,111,860	7.58%	2,442

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

<sup>a</sup>See Table 14 for personal income and population data.

**CITY OF MCKINNEY, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS (UNAUDITED)**

**TABLE 10**

<b>General Bonded Debt Outstanding</b>					
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligation</b>	<b>Total</b>	<b>Percentage of Actual Taxable Value of Property<sup>a</sup></b>	<b>Per Capita<sup>b</sup></b>
2000	\$ 38,521,319	\$ 3,954,999	42,476,318	1.49%	781
2001	42,436,645	10,920,000	53,356,645	1.51%	905
2002	43,147,461	14,220,001	57,367,462	1.38%	862
2003	57,471,192	19,755,001	77,226,193	1.53%	1,042
2004	72,935,000	23,445,001	96,380,001	1.73%	1,122
2005	81,845,000	39,330,000	121,175,000	1.94%	1,279
2006	111,165,000	40,900,000	152,065,000	2.15%	1,450
2007	127,240,000	38,675,000	165,915,000	2.02%	1,440
2008	145,515,000	49,315,000	194,830,000	2.02%	1,610
2009	146,080,000	67,115,000	213,195,000	2.01%	1,746

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

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

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

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

**TABLE 11**

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.5980	0.5980	0.5980	0.5980	0.5980	0.5930	0.5880	0.5880	0.5855	0.5855
Available Tax Rate	<u>\$ 1.90</u>	<u>\$ 1.90</u>	<u>\$ 1.90</u>	<u>\$ 1.90</u>	<u>\$ 1.90</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>

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

**CITY OF MCKINNEY, TEXAS  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
SEPTEMBER 30, 2009 (UNAUDITED)**

**TABLE 12**

<b>Governmental Unit</b>	<b>Gross Bonded Debt</b>	<b>Estimated Percentage Applicable</b>	<b>McKinney Share of Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
McKinney I.S.D.	\$ 470,135,000	90.901%	\$ 427,359,724
Collin County Community College District	46,675,754	14.508%	6,771,542
Collin County	389,985,000	14.499%	56,543,152
Allen I.S.D.	322,457,218	3.953%	12,747,171
Frisco I.S.D.	1,163,469,341	11.997%	139,586,401
Melissa I.S.D.	40,873,467	0.001%	451
Prosper I.S.D.	239,014,031	17.480%	41,779,135
Lovejoy I.S.D.	109,361,900	0.404%	441,856
Subtotal, overlapping debt	<u>\$ 2,781,971,711</u>		<u>\$ 685,229,433</u>
<b>City of McKinney (direct debt)</b>	213,195,000	100.00%	<u>\$ 213,195,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 898,424,433</u></u>

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

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

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

**TABLE 13**

<b>Water and Sewer System Revenue Bonds</b>					
<b>Less:</b>					
<b>Fiscal Year</b>	<b>Total Revenues<sup>a</sup></b>	<b>Operating Expenses<sup>b</sup></b>	<b>Net Available Revenue</b>	<b>Annual Requirement<sup>c</sup></b>	<b>Times Coverage</b>
2000	\$ 19,830,521	\$ 9,564,515	\$ 10,266,006	\$ 1,175,518	8.73
2001	20,065,982	11,253,565	8,812,417	2,066,541	4.26
2002	21,048,211	13,784,892	7,263,319	2,357,290	3.08
2003	23,321,351	15,626,123	7,695,228	2,453,415	3.14
2004	27,857,953	18,584,309	9,273,644	2,955,368	3.14
2005	32,446,505	20,993,205	11,453,300	3,794,613	3.02
2006	39,436,390	23,240,689	16,195,701	4,696,231	3.45
2007	38,406,298	26,743,067	11,663,231	4,820,870	2.42
2008	39,935,862	29,237,087	10,698,775	5,353,390	2.00
2009	46,584,797	32,157,583	14,427,214	5,744,006	2.51

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

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

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

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

**TABLE 14**

<b>Year</b>	<b>Estimated Population<sup>a</sup></b>	<b>Personal Income</b>	<b>Per Capita Personal Income<sup>b</sup></b>	<b>Median Age<sup>b</sup></b>	<b>Median Household Income<sup>b</sup></b>	<b>School Enrollment<sup>c</sup></b>	<b>Unemployment Rate<sup>d</sup></b>
2000	54,369	\$ 1,532,390,265	\$ 28,185	30.6	\$ 63,366	12,078	3.60%
2001	58,986	1,662,520,410	28,185	30.6	63,366	13,563	3.60%
2002	66,575	1,876,416,375	28,185	30.6	63,366	15,151	8.90%
2003	74,108	2,088,733,980	28,185	30.6	63,366	16,513	10.60%
2004	85,865	2,420,105,025	28,185	30.6	63,366	17,926	8.40%
2005	94,733	3,050,686,799	32,203	31.7	69,611	19,603	4.40%
2006	104,853	3,376,581,159	32,203	31.7	69,611	21,161	4.40%
2007	115,198	3,709,721,194	32,203	31.7	69,611	22,307	4.10%
2008	120,978	3,895,854,534	32,203	31.7	69,611	23,310	4.70%
2009	122,083	3,931,438,849	32,203	31.7	69,611	23,889	7.20%

**Sources:** <sup>a</sup>Estimated Population - U.S. Census Bureau (2000 population) and City of McKinney

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

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

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

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

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

**TABLE 15**

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Raytheon	2,980	1	5.03%	2,000	1	7.61%
McKinney Independent School District	2,223	2	3.75%	1,055	4	4.01%
Collin County	1,600	3	2.70%	1,114	3	4.24%
Torchmark Company (includes United American Ins.)	1,429	4	2.41%	500	6	1.90%
Wal-Mart (3 locations) & Sam's Club (1) Stores	1,348	5	2.28%	392	9	1.49%
Lattimore Materials	1,100	6	1.86%	—	—	—
Blockbuster Entertainment Group	955	7	1.61%	1,800	2	6.85%
McKinney Medical Center	950	8	1.60%	530	5	2.02%
City of McKinney	866	9	1.46%	382	10	1.45%
Encore Wire	800	10	1.35%	455	7	1.73%
Fisher Controls	—			400	8	1.52%
<b>Total</b>	<b>14,251</b>		<b>24.05%</b>	<b>8,628</b>		<b>32.82%</b>

**Source:** Top ten employers and employee count provided by McKinney Chamber of Commerce.  
 Total City Employment provided by Texas Workforce Commission (TWC).

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

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	43.0	48.5	49.0	54.0	57.0	62.5	71.0	80.5	88.5	90.5
Police	91.5	99.5	107.5	120.5	128.5	142.0	157.0	173.0	192.0	203.0
Fire	73.2	82.2	94.2	105.2	106.2	111.2	129.2	147.2	166.2	167.2
Libraries	16.0	18.0	26.0	29.0	29.0	28.0	30.1	31.1	31.1	38.7
Development	57.1	63.1	67.6	74.1	81.6	81.1	95.1	109.1	114.6	112.6
Parks and recreation	42.3	44.3	45.5	57.0	62.0	64.0	74.5	81.5	83.5	84.5
Public works	35.3	37.3	37.3	36.3	38.8	43.8	56.3	57.8	67.0	60.7
Water/wastewater	45.0	51.0	54.0	57.0	58.0	62.0	64.0	69.0	77.3	79.7
Surface water drainage	-	-	-	-	1.0	1.0	-	-	-	11.0
Solid waste	3.0	5.0	5.0	6.0	5.5	5.5	3.5	4.0	9.0	10.0
Golf course	8.4	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>414.8</b>	<b>448.9</b>	<b>486.1</b>	<b>539.1</b>	<b>567.6</b>	<b>601.1</b>	<b>680.7</b>	<b>753.2</b>	<b>829.2</b>	<b>857.9</b>

Source: City Budget Book

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

<u>Function/Program</u>	<u>Fiscal Year</u>		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Police			
Number of police officers	75	77	95
Number of violations (citations)	15,000	13,800	10,241
Fire			
Number of fire fighters	66	73	88
Number of fire suppression runs	1,698	2,093	2,156
Number of EMS runs	3,697	3,944	3,762
Development Services			
Construction permits issued <sup>a</sup>	7,489	5,891	7,212
Estimated valuation <sup>a</sup>	\$ 371,384,053	\$ 520,919,151	\$ 698,592,555
Public Works			
Streets paved (miles)	10	11	11
Street signs repaired/installed	971	1,000	1,098
Parks and Recreation			
Park land and municipal acreage maintained	722	750	770
Rounds of golf	38,000	38,000	33,121
Library			
Volumes in collection <sup>b</sup>	67,785	64,450	72,838
Annual circulation	243,402	293,191	364,000
Water and Wastewater			
Number of water customers	18,598	21,096	22,716
Average daily water consumption (millions of gallons)	14.2	14.9	16.1
Maximum storage capacity (million of gallons)	11.5	11.5	14.5
Solid Waste			
Recyclables collected (tons)	4,892	4,434	3,048
Solid waste collected (tons)	74,643	70,389	90,861

**Source:** City Departments

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

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

**TABLE 17**

<b>Fiscal Year</b>						
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
104	113	124	136	149	158	161
11,714	16,412	15,367	23,779	25,000	24,139	30,623
94	94	94	130	149	150	151
2,177	2,200	2,300	2,550	2,750	2,950	3,109
3,731	4,056	4,400	4,923	5,500	6,100	6,800
8,875	8,875	8,945	11,296	6,970	5,539	4,154
\$ 507,567,356	\$ 507,567,356	\$ 713,222,782	\$ 785,799,209	\$ 601,907,826	\$ 480,774,997	\$ 772,318,950
11	9	10	8	8	8	9
1,200	712	1,200	1,872	1,876	2,000	2,500
948	960	1,000	1,100	1,144	1,566	1,566
32,383	36,164	36,592	37,500	35,000	35,878	36,000
80,379	100,894	112,612	123,828	136,054	149,406	177,800
423,600	509,341	600,147	627,664	630,000	652,675	660,000
25,923	29,073	31,723	34,901	38,200	39,590	40,498
17.7	17.6	18.2	23.5	19.3	23.2	23.0
14.0	14.0	20.0	22.0	42.0	42.0	44.0
3,400	3,951	4,543	10,534	15,120	17,145	17,670
113,900	102,657	113,251	119,995	123,150	129,310	135,026

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

**TABLE 18**

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	28	28	39	41	50	45	51	89	64	55
Motorcycle Units	2	2	3	3	3	8	7	8	11	9
<b>Fire</b>										
Stations	4	4	4	5	5	5	5	6	6	7
<b>Public Works</b>										
Streets-Paved (miles)	284.1	318.0	396.5	453.0	453.0	453.0	594.0	623.0	625.0	625.0
Streets-Graded (miles)	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0	39.0
Streets-Unimproved (miles)	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Alleys (miles)	44.5	48.0	47.7	163.0	163.0	163.0	80.0	80.0	80.0	80.0
Street lights (Including US 75)	3,263	3,263	3,562	3,750	4,038	4,200	4,612	4,662	4,760	4,760
<b>Parks and Recreation</b>										
Park Acreage	975	975	975	1,000	1,047	1,200	1,303	1,674	1,862	2,025
Public parks	20	20	20	25	28	28	31	32	34	36
Municipal Golf Course	1	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior centers	0	0	1	1	1	1	1	1	1	1
Public swimming pools	2	1	1	3	3	3	3	3	3	3
Baseball/softball diamonds	14	14	22	22	22	27	27	27	27	27
Tennis courts	8	2	1	2	2	2	2	2	2	2
Soccer fields (regulation size)	15	19	9	9	9	22	22	22	22	22
Disc golf course	1	1	1	1	1	1	1	1	1	1
<b>Library</b>	1	1	1	1	1	1	1	1	1	2
<b>Water and Wastewater</b>										
Storage capacity (million gallons)	11.5	11.5	14.5	14.0	14.0	20.0	22.0	42.0	42.0	44.0
Water Mains (miles)	374.0	408.0	355.0	382.0	405.0	534.0	624.0	680.0	737.0	765.0
Fire Hydrants	2,548	2,906	3,207	4,020	4,621	4,879	5,525	7,100	6,529	7,388
Storm Sewer (miles)	125.0	146.0	154.0	154.0	154.0	203.0	203.0	213.0	257.0	257.0
Sanitary Sewers (miles)	347.0	379.0	320.0	347.0	347.0	459.0	502.0	520.0	582.0	605.0
<b>Airport</b>	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	366	583	583	581	581	581	661	661	661	661
Runway length (ft)	7,001	7,001	7,001	7,001	7,001	7,001	7,001	7,001	7,001	7,001

**Source:** City Departments

**Notes:**

2003-2009 Police vehicles per asset schedule

2000-2002 Police vehicles per fleet replacement schedule