PRELIMINARY OFFICIAL STATEMENT
Dated May 5, 2025

NEW ISSUE – Book-Entry-Only

Ratings:
Moody's: "Aa1"
S&P: "AA+"
(See "OTHER PERTINENT INFORMATION – Ratings" herein)

In the opinion of Bond Counsel, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

$26,700,000*
CITY OF McKINNEY, TEXAS
(Collin County)
Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025

Dated Date: June 17, 2025
Interest Accrual Date: Date of Delivery **Due: As shown on the inside cover**

The City of McKinney, Texas (the "City" or "Issuer") $26,700,000* Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 1207, 1371 and 1502, Texas Government Code, as amended, and an ordinance authorizing their issue and sale (the "Bond Ordinance") adopted by the City Council on March 18, 2025. In the Bond Ordinance, the City Council delegated to designated officers of the City (each a "Pricing Officer"), pursuant to certain provisions of Texas Government Code, Chapters 1207 and 1371, as amended, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale will be included in a "Pricing Certificate" relating to the Bonds which will be executed by a Pricing Officer and will complete the sale of the Bonds (the Bond Ordinance as supplemented by the Pricing Certificate is referred to as the "Ordinance"). (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are special obligations of the City, payable both as to principal and interest, solely from and, together with certain Previously Issued Bonds (as defined herein) and any additional parity bonds that may be issued in the future, by a first lien on and pledge of the Net Revenues (as defined herein) of the City's Waterworks and Sewer System (the "System"). (See "THE BONDS – Security for Payment" herein.)

Interest on the Bonds accrues from the Date of Delivery (defined herein). Interest on the Bonds will be payable on March 15 and September 15 of each year, commencing September 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of the securities representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY- ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) improving and extending the City's waterworks and sewer system, (ii) refunding currently outstanding obligations of the City, as set forth on Schedule I attached hereto (the "Refunded Obligations"), in order to achieve debt service savings, (iii) making a deposit to the Reserve Fund and (iv) payment for professional services rendered in relation to such projects and the financing thereof. (See "THE BONDS – Sources and Uses of Funds for the Bonds" herein.)

Maturity Schedule on Inside Cover Page

The Bonds are offered for delivery when, as and if issued, and received by the Initial Purchasers (as defined herein), subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Legal Opinion of Bond Counsel"). The Bonds are expected to be available for initial delivery through the services of DTC on or about June 17, 2025 (the "Date of Delivery").

BIDS DUE TUESDAY, MAY 20, 2025 AT 9:00 AM CDT

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* Preliminary, subject to change.

$26,700,000*
Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025

MATURITY SCHEDULE*, INTEREST RATES, YIELDS, AND CUSIP[(1)] NUMBERS

Base CUSIP [(1)] No.: ___________

Maturity (March 15)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix
2026	$ 925,000			
2027	980,000			
2028	1,025,000			
2029	1,080,000			
2030	1,135,000			
2031	1,190,000			
2032	1,255,000			
2033	1,315,000			
2034	1,385,000			
2035	1,460,000			
2036	1,180,000			
2037	1,240,000			
2038	1,305,000			
2039	1,375,000			
2040	1,445,000			
2041	1,515,000			
2042	1,595,000			
2043	1,675,000			
2044	1,765,000			
2045	1,855,000			

(Interest to accrue from the Date of Delivery)

The City reserves the right to redeem the Bonds maturing on and after March 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See “THE BONDS – Redemption Provisions” herein.). The Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See “THE BONDS – Mandatory Sinking Fund Redemption.”

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* Preliminary, subject to change.

(1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF McKINNEY, TEXAS

Elected Officials

City Council	Occupation	Length of Service	Term Expires
George C. Fuller, Mayor (1)	Builder	8 Years	2025
Charlie Philips, Mayor Pro Tem (1)	Attorney	8 Years	2025
Rick Franklin, Council Member	Real Estate Broker	6 Years	2027
Justin Beller, Council Member	Banker	5 Years	2029)
Geré Feltus, Council Member	Physician	5 Years	2029
Patrick Cloutier, Council Member	Financial Advisor	5 Years	2027
Michael Jones, Council Member	Banker	2 Year	2027

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(1) These officials have termed out, and a run-off election will be held for these seats on June 7, 2025.

Appointed Officials

Name	Position	Length of Service to McKinney	Governmental Service
Paul Grimes	City Manager	9 Years	27 Years
Barry Shelton	Assistant City Manager	20 Years	26 Years
Steve Tilton	Assistant City Manager	8 Years	25 Years
Trevor Minyard	Assistant City Manager	12 Years	12 Years
Jennifer Arnold	Assistant City Manager	10 Years	10 Years
Mark Holloway	Chief Financial Officer	12 Years	24 Years
Empress Drane	City Secretary	20 Years	22 Years

Consultants and Advisors

City Attorneys	Brown & Hofmeister L.L.P.
Bond Counsel	Norton Rose Fulbright US LLP
Financial Advisor	Estrada Hinojosa & Company, Inc.

For additional information contact:

Mr. Mark Holloway
Chief Financial Officer
City of McKinney
401 E. Virginia St.
McKinney, TX 75069
(972) 547-7536

Mr. Dave Gordon
Senior Managing Director
Estrada Hinojosa
600 N. Pearl St
Suite 2100
Dallas, TX 75201
(214) 658-1670

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For purposes of compliance with the United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), this document constitutes an official statement of the City with respect to the Bonds that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page, tables, and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or any other person.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise or guaranty of the Financial Advisor or the City. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

None of the City or its Financial Advisor makes any representation as to the accuracy, completeness, or adequacy of the information regarding The Depository Trust Company, or its book-entry-only system as such information has been supplied by The Depository Trust Company for use in this Official Statement.

The Bonds are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all tables, schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS."

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of McKinney, Texas (the "City" or "Issuer"), located in Collin County, is a political subdivision of the State of Texas and operates under a Mayor-Council-Manager form of government with a City Council comprised of seven members, including the Mayor. (See APPENDIX B - "General Information Regarding the City of McKinney and Collin County" herein.)
The Bonds	The City of McKinney, Texas $26,700,000* Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds").
Authority for Issuance	The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 1207, 1371 and 1502, Texas Government Code, as amended, and an ordinance authorizing their issue and sale (the "Bond Ordinance") adopted by the City Council on March 18, 2025. In the Bond Ordinance, the City Council delegated to designated officers of the City (each a "Pricing Officer"), pursuant to certain provisions of Texas Government Code, Chapters 1207 and 1371, as amended, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale will be included in a "Pricing Certificate" relating to the Bonds which will be executed by a Pricing Officer and will complete the sale of the Bonds (the Bond Ordinance as supplemented by the Pricing Certificate is referred to as the "Ordinance"). (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, N.A., Dallas, Texas.
Security	The Bonds are special obligations of the City, payable both as to principal and interest, solely from and, together with certain Previously Issued Bonds (as defined herein) and any additional parity bonds that may be issued in the future, by a first lien on and pledge of the Net Revenues of the System. (See "THE BONDS – Security for Payment" herein.)
Redemption	The City reserves the right to redeem the Bonds maturing on and after March 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions" herein.) The Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See "THE BONDS – Mandatory Sinking Fund Redemption."
Tax Matters	Interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein.
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner in which the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (i) improving and extending the City's waterworks and sewer system (the "System"), (ii) refunding currently outstanding obligations of the City, as set forth on Schedule I attached hereto (the "Refunded Obligations"), in order to achieve debt service savings, (iii) making any required deposit to the Reserve Fund and (iv) payment for professional services rendered in relation to such projects and the financing thereof. (See "THE BONDS – Sources and Uses of Funds for the Bonds" herein.)
Ratings	The Bonds and the currently outstanding unenhanced, System supported debt of the City is rated "Aa1" (no outlook)" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Inc. ("S&P"). (See "OTHER PERTINENT INFORMATION – Ratings" herein.)

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* Preliminary, subject to change.

Payment Record..........................	The City has never defaulted in the payment of its bonded indebtedness.
Date of Delivery...........................	It is expected that the Bonds will be available for delivery through DTC on or about June 17, 2025.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of the opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

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PRELIMINARY OFFICIAL STATEMENT

Relating to

$26,700,000*
CITY OF McKINNEY, TEXAS
(Collin County)
Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the City of McKinney, Texas (the "City" or "Issuer") of its $26,700,000* Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025 (the "Bonds"), identified on the cover page and page ii hereof.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the Issuer or the Financial Advisor.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement relating to the Bonds will be submitted to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS

General

The Bonds are dated June 17, 2025, but interest will accrue from the date of their initial delivery, anticipated to be June 17, 2025 (the "Date of Delivery"). The Bonds are stated to mature on March 15 in the years and in the principal amounts set forth on the inside cover page hereof. The Bonds shall bear interest on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on March 15 and September 15 of each year, commencing September 15, 2025 until maturity or prior redemption. The definitive Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event the Book-Entry-Only System should be discontinued, interest will be paid by check mailed by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar at its designated office.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, particularly Chapters 1207, 1371 and 1502, Texas Government Code, as amended, and an ordinance authorizing their issue and sale (the "Bond Ordinance") adopted by the City Council on March 18, 2025. In the Bond Ordinance, the City Council delegated to designated officers of the City (each a "Pricing Officer"), pursuant to certain provisions of Texas Government Code, Chapters 1207 and 1371, as amended, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale will be included in a "Pricing Certificate" relating to the Bonds which will be executed by a Pricing Officer and will complete the sale of the Bonds (the Bond Ordinance as supplemented by the Pricing Certificate is referred to as the "Ordinance").

Use of Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of (i) improving and extending the City's Waterworks and Sewer System (the "System"), (ii) refunding currently outstanding obligations of the City, as set forth on Schedule I attached hereto (the "Refunded Obligations"), in order to achieve debt service savings, (iii) making any required deposit to the Reserve Fund and (iv) payment for professional services rendered in relation to such projects and the financing thereof.

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* Preliminary, subject to change.

Sources and Uses of Funds for the Bonds

The proceeds of the Bonds, together with funds contributed by the City, if any, will be applied substantially as follows:

Sources:	
Par Amount of the Bonds	
[Net] Premium	
Total Sources of Funds	$ -
Uses:	
Deposit to Project Fund	
Deposit to Reserve Fund	
Deposit to Escrow Fund	
Costs of Issuance	
Total Uses of Funds	$ -

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the scheduled redemption dates of such Refunded Obligations, from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and BOKF, N.A. (the "Escrow Agent"). The Ordinance provides that from a portion of proceeds of the sale of the Bonds received from the Initial Purchasers, together with other lawfully available funds of the City, if any, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates as described in "Schedule I - Schedule of Refunded Obligations." Such amount will be held by the Escrow Agent in an escrow account (the "Escrow Fund"), a portion of which will be held uninvested in cash and the remainder used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, as amended, which authorization includes direct noncallable obligations of the United States and noncallable obligations of an agency or instrumentality of the United States rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and guaranteed by the full faith and credit of the United States of America (the “Governmental Obligations”) maturing in time to make such payment. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Obligations and amounts therein will not be available to pay the Bonds.

Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent"), will verify at the time of delivery of the Bonds to the Initial Purchasers, the mathematical accuracy of the schedules provided by Estrada Hinojosa, the City’s Financial Advisor, that demonstrate that the Governmental Obligations will mature and pay interest in such amounts which, together with uninvested funds in the Escrow Fund, will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of principal of and interest on the Refunded Obligations on their respective redemption dates (see "OTHER INFORMATION - Verification of Arithmetical and Mathematical Computations").

By the deposit of the Governmental Obligations and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the legal defeasance of the Refunded Obligations, pursuant to Chapter 1207 and the ordinance authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the report of the Verification Agent, the Refunded Obligations will no longer be payable from the net revenues of the System, but will be payable solely from the principal of and interest on the Governmental Obligations and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Obligations will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See “APPENDIX C - Form of Bond Counsel’s Opinion” herein.

Redemption Provisions

The City reserves the right to redeem the Bonds maturing on and after March 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on March 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest.

If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar.

At least 30 days prior to the date fixed for any such redemption of the Bonds, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Bond to be redeemed at the address shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and, provided moneys sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption and if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem the Bonds, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption for the Bonds, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action with respect to the Bonds premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement redemption of such Bonds from the beneficial owners. Any such selection of Bonds being redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Mandatory Sinking Fund Redemption

In the event the Initial Purchasers elect to combine two or more maturities of the Bonds into one or more "Term Bonds," such Term Bonds will be subject to mandatory sinking fund redemption prior to stated maturity as will be described in the final Official Statement. The principal amount of such Term Bonds required to be redeemed pursuant to the operation of mandatory redemption requirements will be determined by the Pricing Officer approving the final terms of the Bonds.

Security for Payment

Net Revenue Pledge and the Outstanding Previously Issued Bonds: The Bonds are special obligations of the City and, together with the City’s Previously Issued Bonds (defined below) and any parity bonds that may be issued by the City in the future (“Additional Bonds”), are payable both as to principal and interest, solely from and are secured by a lien on and pledge of the Net Revenues of the System. The Previously Issued Bonds, the Bonds and any Additional Bonds that may be issued in the future are collectively referred to as the “Bonds Similarly Secured.” The Ordinance defines “System” as the “City's combined Waterworks and Sewer System, including all present and future extensions, additions, replacements and improvements thereto.” The Ordinance provides that the “Net Revenues” of the System are the gross revenues of the System less the expense of operation and maintenance of the System. Maintenance and operating expenses include contractual payments which under Texas laws and the contract provisions are established as operating expenses. The City has entered into a series of contracts, including a water supply contract, a contract for the provision of sewer service and contracts for the construction of facilities for the transmission of wastewater with the North Texas Municipal Water District (the “District”), and the payments required by those contracts constitute operating expenses of the System. For additional definitions used in the Ordinance and detailed provisions summarized in this Section, see “SELECTED PROVISIONS OF THE ORDINANCE”. For a description of the City's contracts with the District, see “APPENDIX A – FINANCIAL INFORMATION PERTAINING TO REVENUE BOND DEBT.”

At the date of this Official Statement, the City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds (the "Previously Issued Bonds") as follows:

Dated Date	Outstanding Amount ($) (as of May 5, 2025)	Series Description
7/1/2015	$ 2,805,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015*
6/1/2016	13,860,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016
8/1/2017	29,240,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2017
9/1/2018	8,455,000	Waterworks and Sewer System Revenue Bonds, Series 2018
8/1/2019	24,985,000	Waterworks and Sewer System Revenue Bonds, Series 2019
8/15/2020	18,340,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2020
6/1/2021	25,150,000	Waterworks and Sewer System Revenue Bonds, Series 2021
5/15/2022	56,110,000	Waterworks and Sewer System Revenue Bonds, Series 2022
6/1/2023	38,330,000	Waterworks and Sewer System Revenue Bonds, Series 2023
7/1/2024	37,160,000	Waterworks and Sewer System Revenue Bonds, Series 2024

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* Being refunded by the Bonds.

The Bonds Similarly Secured are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and no judgment against the City may be enforced for payment of the Bonds Similarly Secured by levy and execution against any property owned by the City.

Revenue Bond Debt Service Reserve Fund: As additional security, the Ordinance provides for the funding of a previously created debt service reserve fund (the "Reserve Fund"). The City has covenanted to accumulate and, when accumulated, maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements of all Bonds Similarly Secured after giving effect to the issuance of the Bonds (the "Required Reserve"), calculated on a fiscal year basis. The current Reserve Fund balance is approximately $19,422,480. Following the issuance of the Bonds, the City will have approximately $______ in the Reserve Fund, and the Required Reserve will equal approximately $_______.

The Ordinance provides that beginning on or before the 10th day of the month following the delivery of the Bonds or any Additional Bonds, and on or before the 10th day of each month thereafter, the City must deposit in the Reserve Fund from the Net Revenues of the System substantially equal amounts that will provide for the Required Reserve to be fully accumulated in the Reserve Fund within not more than sixty-one (61) months from the date of the passage of the ordinance authorizing the Bonds or the Additional Bonds. See "SELECTED PROVISIONS OF THE ORDINANCE – Section 15 Reserve Fund".

Revenue Bond Rate Covenant: In the Ordinance, the City has covenanted for the benefit of the Holders of the Bonds that rates and charges for water and sewer services afforded by the System will be established and maintained to provide revenues sufficient at all times to pay (a) all operating, maintenance, depreciation, replacement, betterment and interest charges and other costs incurred in the maintenance and operation of the System; (b) the interest on and principal of the Previously Issued Bonds and the Bonds and the amounts required to be deposited into the special Funds created and established for the payment and security of the Bonds Similarly Secured; and (c) any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

Issuance of Additional Bonds: In addition to the right to issue obligations of inferior lien as authorized by the laws of the State of Texas, in the Ordinance the City has reserved the right to issue Additional Bonds. Among the conditions for the issuance of Additional Bonds that are established by the Ordinance are that the Net Revenues have been, during the last completed Fiscal Year, or during any consecutive twelve (12) month period of the last fifteen (15) consecutive months prior to the month of the adoption of the ordinance authorizing the Additional Bonds, equal to at least (i) 1.25 times the average annual principal and interest requirements and (ii) 1.10 times the maximum annual principal and interest requirements of all Bonds Similarly Secured that will be outstanding upon the issuance of the Additional Bonds, as such Net Revenues are shown by a report of a Certified Public Accountant or a Licensed Public Accountant. In addition, the ordinance authorizing the Additional Bonds must provide that the amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount not less than the average annual requirements for the payment of principal of and interest on all Bond Similarly Secured after giving effect to the issuance of the proposed Additional Bonds, and the additional amount to be deposited in the Reserve Fund shall be accumulated within not more than five years and one month from the date of the passage of the ordinance authorizing the issuance of the proposed Additional Bonds. For additional requirements for the issuance of Additional Bonds, see "SELECTED PROVISIONS OF THE ORDINANCE - Section 19 Issuance of Additional Bonds."

Payment Record

The City has never defaulted in the payment of its tax or revenue bonded indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the global certificates to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. The form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money in an amount sufficient to make such payment or (2) Government Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money together with moneys deposited therewith, if any, to make such payment. The Bond Ordinance provides that "Government Securities" means (A) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (D) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas. The City may modify the definition of Government Securities in the Pricing Certificate. There is no assurance that the current law will not be changed in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Securities will be maintained at any particular rating category.

Amendments

The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the then outstanding Bonds, as the case may be, affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Bonds, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of its payment, or (2) give any preference to any Bonds over any other Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bonds do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Bonds, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006)("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity pursuant to Chapter 1371. As a result, bondholders may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state.

As noted above, the Bond Ordinance provides that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Bond Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in either *Tooke* or *Wasson*, and it is unclear whether *Tooke* or *Wasson* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, such provisions are subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar of the Bonds is BOKF, N.A., Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar for the Bonds. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a commercial bank, a trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for any of the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. In the event the Book-Entry-Only System should be discontinued, interest will be paid by the Paying Agent/Registrar either (i) by check sent United States mail, first class postage prepaid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) to the last known address as it appears on the Paying Agent/Registrar's registration books, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar at the Designated Payment/Transfer Office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "Book- Entry-Only System" below. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due. Currently, the Designated Payment/Transfer Office of the Paying Agent/Registrar is its St. Paul, Minnesota office.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the last business day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Bonds are initially to be issued utilizing DTC's Book-Entry-Only System. In the event such Book-Entry-Only System for the Bonds should be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter such Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY- ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the holder of the unredeemed balance of a Bond called for redemption in part.

Replacement Bonds

In the Ordinance, provisions are made for the replacement of mutilated, destroyed, lost, or stolen Bonds. In the case of a mutilated Bond, a new Bond in the same principal amount will be delivered only upon surrender to and cancellation of the mutilated Bond by the Paying Agent/Registrar. In the case of a destroyed, lost or stolen Bond, a new Bond will be delivered only upon the receipt by the Issuer and Paying Agent/Registrar of (i) satisfactory evidence of destruction, loss, or theft, and the ownership thereof, and (ii) the receipt of security or indemnity as may be required by either or both of them to hold them harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or the redemption price or redemption notices or other notices with respect to the Bonds, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or any redemption or other notice with respect to the Bonds, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instrument (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participates and Indirect Participants are referred to herein as the "Participants". DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City.

DTC may discontinue providing its services as securities depository with respect to the Bonds, at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, printed certificates for the Bonds are required to be furnished and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, printed certificates will be furnished and delivered as provided in the Bond Ordinance. (See "REGISTRATION, TRANSFER AND EXCHANGE" herein.)

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

General

Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Issuer may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The Issuer may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the Issuer is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include: (1) a list of authorized investments for Issuer funds, (2) the maximum allowable stated maturity of any individual investment, (3) the maximum average dollar-weighted maturity allowed for pooled fund groups, (4) methods to monitor the market price of investments acquired by public funds, (5) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, (6) procedures to monitor rating changes in investments acquired with public funds, and for the liquidation of such investments consistent with the PFIA. All Issuer funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the Issuer’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the Issuer’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the Issuer, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest Issuer funds without express written authority from the City Council.

Under Texas law, the Issuer is additionally required to: (1) annually review its adopted policies and strategies and adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the Issuer to disclose the relationship and file a statement with the Texas Ethics Commission and the Issuer, (3) require the registered principal of firms seeking to sell securities to the Issuer to: (a) receive and review the Issuer’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment activities between the Issuer and the business organization that are not authorized by the Issuer’s investment policy (except to the extent that this authorization is dependent on an analysis of the Issuer’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the Issuer’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in mutual funds in the aggregate to no more than 80% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and further restrict the investment in no-load mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the Issuer’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer and (9) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of March 31, 2025, the City had the following in cash and investments:

Cash	$ 33,231,365
LGIP Gen Op	429,280,639
LGIP Bonds	355,589,105
Agency Bonds	340,791,656
Total	$ 1,158,892,765

The market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) is approximately 96% of the book value. No funds of the Issuer are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

EMPLOYEE BENEFITS

Pension Plans

The City and three of its component units participate as one of over 934 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) is an agent multiple- employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (ACFR) that can be obtained at www.tmrs.com.

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

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

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2023, the City and its component units made contributions of 18,344,762 or 15.48% of covered payroll.

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

For additional information regarding the City's TMRS plan, see "(5) PENSION PLAN" in the Notes to the Financial Statements attached hereto as APPENDIX D.

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Other Post-Employment Benefits

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

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

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

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was $1,188,871.

For additional information regarding the City's OPEB liability, see "(6) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS" in the Notes to the Financial Statements attached hereto as APPENDIX D.

Accrued Compensated Absences

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

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

All vacation and sick leave pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. As of September 30, 2024, the City had accrued compensated absence liability of approximately $21,478,022.

THE SYSTEM

The City is a Member City of the North Texas Municipal Water District

The City contracts with the North Texas Municipal Water District (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created in 1951 for the purpose of providing a source of water supply for municipal, domestic and industrial use and for the treatment, processing and transportation of such water to its 13 Member Cities (as defined below) and other customers located in North Central Texas. The City contracts with the District for its water supply and for treatment of wastewater collected by the City. In addition, the City contracts with the District for construction of sewage interceptor lines. All payments made to the District by the City are operating and maintenance expenses of the City, which are paid from the gross revenues of the System, prior in right and obligation to the payment of debt service on the Bonds Similarly Secured. While the City does not take any responsibility for the information provided to the public by the District, the District maintains a website that contains information about the facilities of the District, current water restriction information and other operational information. Certain information describing the District below is taken from the District's website.

The District currently serves a 2,200 square-mile area located in ten counties in the State of Texas and comprises all of the territory of its current member cities, being the Cities of Garland, Princeton, Plano, Mesquite, Wylie, Rockwall, Farmersville, McKinney, Richardson, Allen, Forney, Frisco, and Royse City (the "Member Cities"). The District is governed by a 25-member Board of Directors. Each Member City having a population of 5,000 or more is represented by two members on the Board of Directors and each Member City of less than 5,000 is represented by one member on the Board of Directors. Members of the Board of Directors are appointed by the governing bodies of the respective Member Cities for two-year terms. The City appoints two members to the District's Board.

Existing Water Supply

Lake Lavon ("Lavon"). The District's water supply is currently obtained from Lavon located on the East Fork of the Trinity River approximately 60 miles north of its confluence with the main stem of the Trinity River and about 25 miles northeast of the City of Dallas. Lavon was constructed and is owned by the United States Army Corps of Engineers (the "USACE") and the District's access to the water storage capacity of the reservoir exists pursuant to a contract with the USACE executed on March 16, 1954 and amended on May 12, 1967. The District owns storage and utilization rights to the entire conservation pool in Lavon, consisting of 380,000 acre feet of storage, and a Texas Commission on Environmental Quality ("TCEQ") Water Right Permit for 118,670 acre-feet per year, which provides a safe daily yield of approximately 103 MGD. The District also has the right to divert and reuse up to 64 MGD of water discharged to Lavon from the District's Wilson Creek wastewater treatment plant.

Lake Texoma. On August 7, 1985, the District issued Water System Revenue Bonds for the construction of and development of an intake structure, pump station, pipeline and other facilities necessary to divert 75 MGD of raw water from Lake Texoma in Grayson County, approximately 50 miles north of Lake Lavon. A Clean Water Act Section 404 Permit to utilize 75,000 acre-feet of storage space in Lake Texoma for municipal and industrial use was also issued by the USACE, and the District has received permits from the TCEQ to divert and transport the Texoma water to its water treatment plant located in Wylie, Texas. On April 26, 2010, the District executed a contract with the USACE for an additional 100,000 acre feet of storage in Lake Texoma and received a Water Right Permit from the TCEQ to direct and transport an additional 101 MGD of raw water from Lake Texoma.

Jim Chapman Lake. The District has contracted with the USACE for approximately 37% of the storage capacity of Lake Jim Chapman which provides the District a safe yield of approximately 45 MGD. Completion and deliberate impoundment of the lake occurred on September 28, 1991. Construction of the intake, pump station and pipeline facilities to transport water to Lavon was completed in late 1995.

East Fork Water Reuse Project. In April 2006, the District issued Water System Revenue Bonds to construct a 2,000 acre wetlands, diversion pump station, conveyance pump station, 40 miles of conveyance pipeline and related facilities to reclaim up to 90 MGD of the District's return flows from the East Fork of the Trinity River which is pumped back into Lavon. The project was completed in 2008.

Lake Tawakoni Raw Water Project. In October 2005, the District entered into a contract with the Sabine River Authority (SRA) for the purchase of 40,000 acre-feet per annum of raw water from Lake Tawakoni. Pursuant to the contract, the District also has the option to purchase any additional raw water the SRA may have available. In November 2006, the District issued Water System Revenue Bonds to construct approximately 30 miles of pipeline and two 75 MGD pump stations to convey raw water from Lake Tawakoni to Lavon. The project was completed in 2008.

Trinity River Main Stem Pump Station and Pipeline. The District entered into a contract with Trinity River Authority for the purchase of 50 MGD of treated effluent flows in the main stem of the Trinity River. The project consists of a pump station with a capacity of up to 100 MGD and 17 miles of pipeline to divert water from the main stem of the Trinity River to the East Fork Reuse Project to be filtered and sent on to Lavon Lake.

Leonard Water Treatment Plant. A new 70 MGD water treatment plant ("WTP") was constructed in Leonard, Texas and serves entities within the counties of Collin, Dallas, Denton, Ellis, Fannin, Hunt, Kaufman, Rains, and Rockwall. The numerous components of the system include a 90-inch raw water line, a 72 MGD raw water pump station, a 90 MGD WTP high service pump station, an 84-inch treated water pipeline from the WTP to the distribution system, and state and county road relocations.

Future Water Supply

The District continues to plan and develop additional resources to meet the needs of its service area. At this time the District is actively pursuing many options for development of additional supplies including Phase 2 of the Leonard Water Treatment Plant with expected completion in 2028 for an additional 70 MGD.

The Trinity East Fork Regional Wastewater System

The District has been designated by the TCEQ as the regional agency to provide and develop a Regional Wastewater System (the "Regional Wastewater System") for wastewater treatment in the general area of the East Fork of the Trinity River lying in Collin, Dallas, Kaufman and Rockwall Counties, Texas. Pursuant thereto, the District has entered into contracts with the Cities of Mesquite, Plano, Richardson, Allen, McKinney, Forney, Frisco, Princeton, Rockwall, Heath, Prosper, Seagoville, and Melissa. (the "Regional Wastewater Member Cities").

Under the terms of the contracts with the aforementioned Regional Wastewater Member Cities, the District is committed to design, acquire, construct and complete the Regional Wastewater System, and from time to time enlarge, improve, replace and/or extend it to provide service to the Regional Wastewater Member Cities and additional Regional Wastewater Member Cities.

The District's Regional Wastewater System includes the Mesquite Wastewater Treatment Plant, the Floyd Branch Wastewater Treatment Plant (Richardson), the Rowlett Creek Wastewater Treatment Plant (Plano), the Wilson Creek Wastewater Treatment Plant and the Sister Grove Wastewater Treatment Plant (currently under construction).

Existing elements of the District's Regional Wastewater System are designed to provide facilities necessary to accommodate and serve the needs of the Regional Wastewater Member Cities. Total treatment capacity of existing plants is 163.5 MGD.

The City's Waterworks System

The City receives its water supply from the District at four points of delivery located in the City: (1) the Gerrish Pump Station located at 1001 East Gerrish, (2) the McKinney Ranch Parkway Pump Station located at 3250 McKinney Ranch Parkway, (3) the University Pump Station located at 7560 West University and (4) Redbud Pump Station at 3601 Redbud Boulevard. The facilities at the Gerrish Pump Station include one two million gallon ground storage tank; three 3,300 gallon per minute pumps; and one 3,500 gallon per minute pumps. This facility has a pumping capacity of 19.296 MGD. The facilities at the McKinney Ranch Parkway Pump Station include one six-million-gallon ground storage tank, one ten-million-gallon ground storage tank, four 3,750 gallon per minute pumps, five 3,500 gallons per minute pumps which are out of service due to a capital improvements project, and upon completion that will change to six 3,750 gallon per minute pumps, three 3,500 gallon per minute pumps, one 3,470 gallon per minute pump and two 6,945 gallon per minute pumps. The facility has an auxiliary power generation capability of 5 megawatts. This facility will have a pumping capacity of 72.504 MGD upon completion of the capital improvement project. Currently, until the McKinney Ranch Project is completed the facility will have a pumping capacity of 46.584 MGD. The facilities at the University Pump Station include one six-million-gallon ground storage tank, two ten-million-gallon ground storage reservoirs, five 10,417 gallon per minute pumps and two 7,000 gallon per minute pumps. The facility has an auxiliary power generation capability of 2.25 megawatts. This facility has a pumping capacity of 95.004 MGD. The facilities at Redbud Pump Station include one eight-million-gallon ground storage tank, four 7,000 gallons per minute pumps and chloramine chemical boosting capability. The facility has an auxiliary power generation capability of 1.25 megawatts. The facility has a pumping capacity of 40.320 MGD. The City Engineer has a water system hydraulic analysis concluding that the City's total pumping capacity is 178 MGD against its 2024 peak demand of 73.441 million gallons per day.

System pressure is maintained through pumping and nine elevated water storage tanks. The elevated tanks have capacities of two 1,500,000 gallons; three 2,000,000 gallons; and four storing 3,000,000 gallons each. The distributed system consists of water mains ranging in size from two to sixty-six inches in diameter. Mains are looped and valves are provided in the System as required.

Water Supply Contract

As a member city of the District, the City entered into a contract with the District dated August 1, 1998 (the "Contract") and effective until all bonds of the District and interest thereon with respect to the water supply and treatment facilities of the District have been paid or provided for and continuing thereafter in force and effect during the entire useful life of the District's water supply and treatment facilities. The Contract was a "take or pay" contract, under which the City was obligated to make a minimum annual water payment (adjusted annually) in return for a minimum volume of gallons of water per year. Beginning October 1, 2020, the Contract was amended to transition to a new method for allocating the District's Annual Requirement over the next thirteen years from the take or pay allocation to a Natural Draw Down Method (a nominal change from take or pay for 8 years) and then the "5/5/1 Process" (a phased in five year rolling average). In addition, the City has the right to purchase additional water as needed at a rate per one thousand gallons determined annually by the District based on amounts sufficient to cover its maintenance and operating expenses and related debt service costs. The actual costs of the City's annual bill for the fiscal year ending September 30, 2024 under the contract were $45,363,949. The current estimated costs of the City's annual bill for 12,725,939,000 gallons of water during the fiscal year ending September 30, 2025 under the contract are approximately $48,994,865. All payments made under the terms of the contract constitute operating expenses of the System as defined in Texas Government Code, Section 791.026 and Section 1502, each as amended.

In accordance with the Contract, it is the intention of the District and the City that the District shall be the sole and exclusive source of all treated water supply for the City, and the District is obligated to use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of the City and all other parties contracting with the District (the "Contracting Parties") for a water supply, but the District's obligation is limited to the amount of treated water available to the District's Water System, and the maximum rate of delivery shall be consistent with the capacities and capabilities of District's Water System facilities and shall not exceed the amounts fixed on an equitable and uniform basis by the District's Board of Directors.

In accordance with the Contract, if water from the District's Water System must be rationed, such rationing shall, within the limits permitted by law, be done by the District on the basis of the relative actual total amount of all treated water from the entire District's Water System taken by each Contracting Party, respectively, during the last preceding annual payment period in which rationing was not necessary. However, any reduction in the amount of delivery of water will not relieve each of the Contracting Parties of the obligation to pay its proportionate share of the annual contractual payment (the "Annual Requirement") sufficient to pay District's operating and maintenance expenses and to satisfy all financial obligations under any resolutions or indenture relating to the District's bonds.

In the Contract, the City has agreed to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as will produce revenues in an amount equal to at least all of its payments under the Contract and all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing the District's revenue bonds.

The City cannot predict whether weather conditions, federal and state laws and regulations, future permitting of new water projects or a variety of other contingencies will adversely affect the supply of water to the City, but the City is obligated pursuant to its Contract and the Ordinance to maintain rates and charges for water that are sufficient to fund all costs of water supply, the operation and maintenance of its System facilities and the debt service coming due on the Bonds Similarly Secured. The City is of the view that it is positioned to continue to comply with such rate covenants.

The City's Wastewater Collection System

Sanitary waste from the City is collected by a system of sewer lines which carry the wastewater to the District's Wilson Creek Wastewater Treatment Plant.

Wastewater Contracts

On August 23, 1979 the City entered into a regional wastewater system contract with the District (the "Wastewater Contract") whereby the District provides treatment disposal of sanitary sewage waste for the City as a participating member of a regional wastewater treatment system (the "District's Wastewater System"). On July 26, 1984, the City and three other contracting parties entered into an interceptor system contract with the District whereby the District provides wastewater transportation facilities. The contracts require the City to pay varying amounts based on the costs associated with sewage transported and/or treated and disposed. The cost of each contract includes the City's proportionate share of the District's operating and maintenance expense and related debt service costs. Pursuant to the Wastewater Contract, the City has the right to discharge all of its wastewater from its sewer system into District's Wastewater System, provided that such wastewater meets the requirements for quantity and quality as set forth in the Wastewater Contract. During the fiscal year that ended September 30, 2024, the actual costs associated with such contracts were $28,309,887. During the fiscal year that ends September 30, 2025, the current estimated costs associated with such contracts are estimated to be $30,772,663. The City's contracts with the District shall continue in force at least until all bonds issued by the District pursuant to the respective contract have been paid in full, and remain in force thereafter throughout the useful life of the District's wastewater treatment and transportation facilities. All payments made under the terms of the contract constitute operating expenses of the System as defined in Texas Government Code, Section 1502.056(c) and Section 30.030, Texas Water Code, each as amended.

Increases in Water and Sewer Rates

The District advised its member cities, including the City, that its April 2022 water rate projection reflected that at least a $3.17 per 1,000 gallons water rate increase will be required over the next 10 years. Such an increase would represent an approximate 106% rate increase over that period, as compared to the 2022 water rate to member cities of $2.99 per 1,000 gallons. The following table illustrates the annual water rate changes from October 1, 2015 through October 1, 2024:

Fiscal Year Beginning (Oct. 1)	Rates	% Change
2015	$ 2.29	11.2%
2016	2.53	10.5%
2017	2.78	9.9%
2018	2.92	5.0%
2019	2.99	2.4%
2020	2.99	0.0%
2021	2.99	0.0%
2022	3.39	13.4%
2023	3.69	8.8%
2024	3.85	4.3%

On October 1, 2024, the District increased the rate to $4.35. Additional rate adjustments are anticipated in future years as cost estimates to develop raw water supplies and operational costs continue to increase.

Water Rate Study

In August 2024, the City Council reviewed, and in September 2024 approved, an update to the 2023 Water and Sewer Rate Study prepared by Willdan Financial Services. The study took into account the projected cost of water and sewer service to the City from the District over a ten year planning horizon. The study included assumptions for customer growth rate (3.0% per year), annual operating increases (5-7% per year), projected charges for water from the District, planned bond issuances for water and sewer system facilities, and other factors. The study projected the cost of service would increase from approximately $154,797,105 in 2025 to $244,856,500 in 2029 (a 58% increase), resulting in an annual water and sewer rate increases of 11-18% combined during that same time span. The study indicated that operating reserves in the System, beginning at $60.8 million, together with the annual rate increases would absorb the increased cost of water and other operating expenses of the System over the five year planning horizon. The study projected that at the conclusion of the five year period, the City would maintain operating reserves in the System of approximately $70.2 million, or 106 days of operating expenses, which exceeds the City's financial policy of 90 days of operating expenses for the System.

SELECTED PROVISIONS OF THE ORDINANCE

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

Section 9 Definitions: For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds and the pledge and appropriation of revenues therefor, the following definitions are provided:

(a) The term "Additional Bonds" shall mean the additional parity revenue bonds authorized to be issued in accordance with the terms and conditions prescribed in Section 19 hereof.

(b) The term "Bonds" shall mean the "City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025," dated as provided in the Pricing Certificate, authorized by this Ordinance.

(c) The term "Bonds Similarly Secured" shall mean collectively the Previously Issued Bonds, the Bonds and the Additional Bonds.

(d) The term "City" shall mean the City of McKinney, Texas.

(e) The term "Fiscal Year" shall mean the 12 month period ending September 30th of each year; provided, however, at such time as the Previously Issued Bonds have been fully paid as to principal and interest, the City may change the Fiscal Year to another period of not less than 12 calendar months, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

(f) Unless otherwise provided in the Pricing Certificate, the term "Government Securities" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(g) The term "Outstanding", when used in this Ordinance with respect to the Bonds, means, as of the date of determination, all Bonds theretofore issued and delivered, except:

(1) those Bonds theretofore cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the City in accordance with the provisions of Section 37 hereof by the irrevocable deposit with the Paying Agent/Registrar of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the Ordinance or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost or stolen and for which replacement Bonds have been registered and delivered in lieu thereof as provided in Section 29 hereof.

(h) The term "Net Revenues" shall mean the gross revenues of the System less the expense of operation and maintenance, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, provided, however, that only such repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any obligations payable from and secured by a lien on the net revenues of the System, shall be deducted in determining "Net Revenues."

(i) The term "Owner," with respect to any Bond shall mean the person in whose name such Bond is registered on the register kept by the Paying Agent/Registrar.

(j) The term “Paying Agent/Registrar” shall mean the person or entity designated as such in the Pricing Certificate.

(k) The term “Previously Issued Bonds” shall mean any outstanding and unpaid revenue bonds of the City of McKinney, further identified as follows:

(i) City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015, dated July 1, 2015, and originally issued in the principal amount of $12,725,000;

(ii) City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016, dated June 1, 2016, and originally issued in the principal amount of $29,225,000;

(iii) City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2017, dated August 1, 2017, and originally issued in the principal amount of $46,520,000;

(iv) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2018, dated September 1, 2018, and originally issued in the principal amount of $11,415,000;

(v) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2019, dated August 1, 2019, and originally issued in the principal amount of $31,735,000;

(vi) City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2020, dated August 15, 2020, and originally issued in the principal amount of $22,075,000;

(vii) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2021, dated June 1, 2021, and originally issued in the principal amount of $28,795,000;

(viii) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2022, dated May 15, 2022, and originally issued in the principal amount of $56,110,000;

(ix) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2023, dated June 1, 2023, and originally issued in the principal amount of $38,330,000; and

(x) City of McKinney, Texas, Waterworks and Sewer System Revenue Bonds, Series 2024, dated July 1, 2024, and originally issued in the principal amount of $38,170,000.

(l) The term “System” shall mean the City’s combined Waterworks and Sewer System, including all present and future extensions, additions, replacements and improvements thereto.

Section 10. Pledge: The City hereby covenants and agrees that all of the Net Revenues of the System, with the exception of those in excess of the amounts required to establish and maintain the special Funds created for the payment and security of Bonds Similarly Secured, are hereby irrevocably pledged to the payment of the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, and the interest thereon, and it is hereby ordained that the Previously Issued Bonds, the Bonds and the Additional Bonds, if issued, and the interest thereon, shall constitute a first lien upon on the Net Revenues of the System and be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Chapter 1208 of the Texas Government Code, as amended (“Chapter 1208”).

Chapter 1208 applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under this Section, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues granted by the City under this Section is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Section 11. Rates and Charges: The City hereby covenants and agrees with the Holders of the Bonds that rates and charges for water and sewer services afforded by the System will be established and maintained to provide revenues sufficient at all times to pay:

(a) all operating, maintenance, depreciation, replacement, betterment and interest charges and other costs incurred in the maintenance and operation of the System;

(b) the interest on and principal of the Previously Issued Bonds and the Bonds and the amounts required to be deposited into the special Funds created and established for the payment and security of the Bonds Similarly Secured; and

(c) any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

Section 12. Fund Designations: The City hereby covenants and agrees that all revenues derived from the operation of the System shall be kept separate and apart from all other funds of the City and the following Funds or Accounts created and established in connection with the issuance of the Previously Issued Bonds are hereby reaffirmed and shall continue to be kept and maintained during the period of time the Bonds are Outstanding, to wit:

(a) City of McKinney Waterworks and Sewer System Fund, hereinafter called the "System Fund," which Fund is kept and maintained at the City's depository bank.

(b) City of McKinney Waterworks and Sewer System Revenue Bond Interest and Sinking Fund, hereinafter called the "Bond Fund," which Fund is hereby declared to be the combined interest and sinking fund created for the payment of principal of and interest on the Bonds and the Previously Issued Bonds and the same shall continue to be a single fund for the payment of principal of and interest on all Bonds Similarly Secured. This Fund shall continue to be kept and maintained at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (or its successor in interest), as custodian of the pledged revenues, and moneys deposited therein shall be used solely for the purpose of paying the principal of and interest on the Bonds Similarly Secured when and as the same becomes due and payable.

(c) City of McKinney Waterworks and Sewer System Revenue Bond Reserve Fund, hereinafter called the "Reserve Fund," which Fund is and shall continue to be kept and maintained at The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (or its successor in interest), and moneys deposited in this Fund shall be used to pay principal of and interest on the Bonds Similarly Secured falling due at any time when there is insufficient money available in the Bond Fund for such purpose.

It is specifically provided, however, that the City may change the custodian of the Bond Fund and the Reserve Fund, without impairing the obligation of contract with the Holders of the Bonds, if the new custodian bank or banks for such Fund or Funds is a banking institution with trust powers. The City further reserves the right to provide that the amounts which are required to be deposited in such Funds by the provisions of this Ordinance need not be kept on deposit in the named banks, but may be deposited in another bank or banks having trust powers without impairment of the obligation of contract with the Holders of the Bonds. In no event shall a change of the custodian of either of such Funds be considered as a change in the purpose for which such Funds were created and established as provided in the ordinances authorizing such Previously Issued Bonds or this Ordinance, and the City covenants that it will cause such Funds to be timely utilized for the respective purpose for which they were created.

Section 13. System Fund: The City hereby covenants and agrees that all revenues and income of every nature derived and to be derived from the operation of the System shall be deposited from day to day as collected into the System Fund, and the reasonable and proper maintenance and operation expenses of the System, as set forth in Section 9(h) hereof, shall be paid therefrom upon approval of the Council. All moneys deposited therein which are not required for the payment of maintenance and operating expenses of the System shall be appropriated and used, in the order of priority prescribed, for the purposes specified in the ordinances authorizing the issuance of Bonds Similarly Secured and obligations payable from and secured by an inferior lien on and pledge of the Net Revenues of the System.

Section 14. Bond Fund: In addition to the deposits required to be made for the payment of the Previously Issued Bonds, the City covenants that there shall be deposited from the Net Revenues into the Bond Fund prior to each principal and interest payment date an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable, such deposits to pay maturing principal and accruing interest on the Bonds to be made in substantially equal monthly installments on or before the 10th day of each month, beginning on or before the 10th day of the month next following the month the Bonds are delivered to the initial purchaser(s).

The above-described monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove described until such time as the total amount on deposit in said Fund is equal to the amount required to pay all Outstanding Bonds Similarly Secured (principal and interest) or the Bonds are no longer Outstanding, i.e., fully paid as to principal and interest or the Bonds are refunded. Also, accrued interest and premium, if any, received from the purchaser of the Bonds, as well as any proceeds of the Bonds not required to complete the improvements and extensions to the System, shall be deposited in the Bond Fund, and shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required which would otherwise be required to be deposited in the Bond Fund from the Net Revenues of the System (calculated on a fiscal year basis).

Section 15. Reserve Fund: The City hereby reaffirms its prior covenant to the holders of the Previously Issued Bonds and agrees with holders of the Bonds to accumulate and, when accumulated, maintain in the Reserve Fund an amount equal to not less than the average annual principal and interest requirements of all bonds secured by a first lien on and pledge of the Net Revenues of the System (calculated on a fiscal year basis).

In accordance with the ordinances authorizing the issuance of the Previously Issued Bonds, by reason of the issuance of the Bonds, the total amount to be accumulated and maintained in the Reserve Fund shall be as provided in the Pricing Certificate (the "Required Reserve"), which amount shall be equal to not less than the average annual principal and interest requirement of all bonds secured by a first lien on and pledge of the Net Revenues of the System to be Outstanding after giving effect to the issuance of the Bonds (calculated on a Fiscal Year basis). Proceeds of the Bonds will be deposited to the Reserve Fund to provide for the Required Reserve or beginning on or before 10th day of the month following the delivery of the Bonds and on or before the 10th day of each month thereafter, the City shall cause to be deposited in the Reserve Fund from the Net Revenues of the System substantially equal amounts that will provide for the Required Reserve to be fully accumulated in said Fund within not more than sixty-one (61) months from the date of the execution of the Pricing Certificate, all as provided in the Pricing Certificate.

When the total amount required to be deposited in the Reserve Fund has been fully accumulated, the aforementioned monthly deposits to the Reserve Fund may be terminated; provided, however, should the total amount on deposit in the Reserve Fund be reduced below the annual average principal and interest requirements of all Outstanding Bonds Similarly Secured, such monthly deposits shall be resumed as herein specified and continued to be made on or before the 10th day of each month until the total amount required to be maintained in said Fund has been fully restored.

Money in the Reserve Fund may be invested, at the option of the City, in direct obligations of the United States of America or securities issued by the following federal agencies: Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Federal Home Loan Banks, and/or Banks for Cooperatives, which obligations or securities shall mature in not more than 10 years from the date of such investment. Any obligations in which money is so invested shall be kept in escrow in the bank which is the custodian of such Fund and shall be promptly sold and the proceeds of sale applied to the making of payments required to be made from the Reserve Fund whenever such payments are necessary to be made under this Section. The deposits into this Fund shall be subordinate to those required to be made into the Bond Fund.

Section 16. Deficiencies in Funds: If in any month the City shall, for any reason, fail to pay into the Bond Fund or Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Net Revenues of the System for the following month or months, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months.

Section 17. Excess Revenues: Any Net Revenues in excess of those required to establish and maintain the special Funds as above required may be used for the redemption of the Bonds, the Previously Issued Bonds, the Additional Bonds or for any other lawful purpose.

Section 18. Security of Funds: All moneys deposited in the Funds referred to in this Ordinance shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and shall be used only for the purposes permitted by this Ordinance and the ordinances authorizing the issuance of the Previously Issued Bonds.

Section 19. Issuance of Additional Bonds: In addition to the right to issue obligations of inferior lien as authorized by the laws of the State of Texas, the City hereby reserves the right to issue additional parity bonds. The Additional Bonds, when issued, shall be payable from and secured by a first lien on and pledge of the Net Revenues of the System in the same manner and to the same extent as the Previously Issued Bonds and the Bonds; and, the Bonds, the Previously Issued Bonds and the Additional Bonds shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The City is not then in default as to any covenant, condition or obligation prescribed by this Ordinance or the ordinances authorizing the issuance of the Previously Issued Bonds;

(b) That each of the Funds created or reaffirmed by this Ordinance contains the amount then required to be on deposit therein;

(c) The Net Revenues of the System were, during the last completed Fiscal Year, or during any consecutive twelve (12) month period of the last fifteen (15) consecutive months prior to the month of the adoption of the ordinance authorizing the additional parity bonds, equal to at least (i) 1.25 times the average annual principal and interest requirements and (ii) 1.10 times the maximum annual principal and interest requirements of all the bonds which will be secured by a first lien on and pledge of the Net Revenues of the System, and which will be outstanding upon the issuance of the additional parity bonds, as such Net Revenues are shown by a report of a Certified Public Accountant or a Licensed Public Accountant. The term "Net Revenues" as used shall mean the gross revenues after deduction of expenses of operation and maintenance, but not deducting expenditures which, under standard accounting practice, should be charged to capital expenditures;

(d) The Additional Bonds are made to mature March 15th in each of the years in which they are scheduled to mature; and

(e) The ordinance authorizing the Additional Bonds provides that the amount to be accumulated and maintained in the Reserve Fund shall be increased to an amount not less than the average annual requirements for the payment of principal of and interest on all bonds to be secured by a first lien on and pledge of the Net Revenues after giving effect to the issuance of the proposed Additional Bonds, and the additional amount to be deposited in said Fund as required by such ordinance shall be accumulated within not more than five years and one month from the date of the passage of the ordinance authorizing the issuance of the proposed Additional Bonds.

The Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such outstanding revenue bonds are refunded, the proposed refunding bonds shall be considered as “Additional Bonds” under the provisions of this Section and the report required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

Section 20. Maintenance and Operation – Insurance: The City covenants and agrees that the System shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are Outstanding, the City agrees to maintain insurance on the System of a kind, and in an amount not less than, customarily carried by municipal corporations in the State of Texas engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 21. Records - Accounts - Accounting Reports: The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remain Outstanding or unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the City in accordance with accepted accounting principles prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to said System, as provided by Chapter 1502, Texas Government Code, as amended, or other applicable statutes. The Holder or Owners of any Bonds or any duly authorized agent or agents of such Holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that as soon as possible following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants or Licensed Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) a detailed statement of the income and expenditures of the System for such Fiscal Year;

(b) a balance sheet as of the end of such Fiscal Year;

(c) the Accountant’s comments regarding the manner in which the City has complied with the covenants and requirements of this Ordinance and his or her recommendations for any changes or improvements in the operation, records and accounts of the System;

(d) a list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy’s expiration date;

(e) a list of the securities which have been on deposit as security for the money in the Bond Fund and Reserve Fund throughout the Fiscal Year, a list of the securities, if any, in which the Reserve Fund has been invested, and a statement of the manner in which money in the System Fund has been secured in such Fiscal Year; and

(f) the number of properties connected with the System as of the end of the Fiscal Year.

Expenses incurred in preparing the audits above referred to are to be regarded as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at his or her office in Austin, Texas, and, upon written request to the initial purchaser and any subsequent Holder of the Bonds.

Section 22. Remedies in Event of Default: In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Bond Fund and Reserve Fund as required by this Ordinance or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder or Holders of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive. Notwithstanding anything in this Ordinance to the contrary, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

Section 23. Special Covenants: The City hereby further covenants as follows:

(a) That it has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including said power existing under Texas Government Code, Section 1502.052, as amended; that the Bonds, the Previously Issued Bonds, and the Additional Bonds, when issued, shall be ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond or said issues.

(b) That, other than for the payment of the Previously Issued Bonds, the Bonds herein authorized and the limited pledge of the Net Revenues made in connection with other debt or obligations which have been issued by the City and for which such limited pledge payment has not been made, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System.

(c) That, as long as any of the Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the System or any substantial part thereof; provided that this shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System; also, with the exception of the Additional Bonds expressly permitted by this Ordinance to be issued, it will not encumber the Net Revenues thereof unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance.

(d) That no free service of the System shall be allowed, and should the City or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks or sewer system other than those owned by the City, and the operation of any such system by anyone other than the City is hereby prohibited.

Section 24. Bonds are Special Obligations: The Bonds are special obligations of the City payable from the pledged Net Revenues of the System and the Owners thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

FINANCIAL POLICIES

The City has adopted financial policies that set forth the basic framework for the fiscal management of the City. These policies are included in the annual budget of the City, which is available at the City's website, at http://www3.mckinneytexas.org/210/Budget. Certain of the policies are described below.

Annual Budget. The fiscal year of the City begins on the first day of October each year and ends on the thirtieth day of September of each year. On or before the fifteenth day of August of each year, the City Manager is required to submit to the City Council a budget of the revenues of the City and the expense of conducting the affairs thereof for the ensuing fiscal year. The classification of the estimate shall be as nearly uniform as possible for the main functional divisions of such departments, divisions and offices and shall give the following information: a) an itemized estimate of the expense of conducting each department, division, office and commission; b) comparison of such estimates with the corresponding items of expenditure of the last two fiscal years, and with the expenditures of the current fiscal year plus an estimate of expenditures necessary to complete the current fiscal year; c) reason for proposed increases or decreases of such items of expenditure compared with the current fiscal year; d) items of payroll increases as either additional pay to present employees or pay for more employees; e) a statement from the Chief Financial Officer of the total probable income of the City from taxes for the period covered by the estimate; f) an itemization of all anticipated revenue from sources other than the tax levy; g) the amount required for interest on the City's debt, for sinking fund and for maturing serial bonds; h) the total amount of outstanding City debts, with a schedule of maturities on bond issues; i) such other information as may be required by the City Council; and j) the proposed budget shall contain a suggested tax rate to be levied to support the expenditures proposed. The City Manager shall also have the City Attorney prepare an appropriation ordinance and transmit it to the City Council with the budget.

Basis of Accounting and Budgeting. The City's finances shall be accounted for in accordance with generally accepted accounting principles as established by the Governmental Accounting Standards Board. For further information regarding the City's accounting principles, see "(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the Notes to the Financial Statements attached hereto as APPENDIX D.

Financial Reporting. Following the conclusion of the fiscal year, the Chief Financial Officer shall cause to be prepared a Comprehensive Annual Financial Report in accordance with generally accepted accounting and financial reporting principles established by the Governmental Accounting Standards Board.

Debts. The City will manage the length of maturity of its long-term debt in order to lower net interest cost and to maintain future flexibility by paying off debt earlier. The target shall be 20 years.

Fund Balances. The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the general fund.

The City will maintain a reserve of cash and investments in the Water and Wastewater Fund equal to 90 days of the total operating expenses.

The City will increase the cash and investments balance in all other enterprise funds to reach a level of at least 60 days of the total operating expenses.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners of the Bonds who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's legal opinion is attached as APPENDIX C.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds, and will assume continuing compliance by the City with the provisions of the Ordinance after the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced with the Bonds by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners of the Bonds from the date of the issuance of the Bonds.

No ruling has been sought from the Internal Revenue Service ("IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium Bonds on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner before maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the Issuer has made the following continuing disclosure agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement in Appendices A and D. The Issuer will update and provide the information included with Appendix A within six months after the end of each fiscal year ending in and after 2025 and the information included within Appendix D within 12 months after the end of each fiscal year ending in and after 2025. The Issuer will provide the updated information to the MSRB.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided by the required time, the Issuer will provide unaudited financial statements until the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Appendix A by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Notice of Occurrence of Certain Events, Whether or Not Material

The City will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for credit enhancement, or liquidity enhancement. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in clauses (15) and (16) above, the phrase "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); provided, however, the phrase shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule, and the City intends the other words used in such clauses to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of the Ordinance in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the last five years, the City has complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule.

In connection with the required annual disclosure due Sunday, March 31, 2024, the City failed to timely file the disclosure documents due to an administrative issue with the EMMA system that could not be resolved until the next business day, Monday, April 1, 2024. Subsequent to the issue being resolved with EMMA, the documents were promptly filed on April 1, 2024.

OTHER PERTINENT INFORMATION

Registration and Qualification

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Litigation

In the opinion of certain officials of the Issuer, the Issuer is not a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition or operations of the Issuer.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act, as amended, provides that public securities such as the Bonds are (i) negotiable instruments, (ii) investment securities to which Chapter 8, Texas Business and Commerce Code, as amended, applies and (iii) legal and authorized investments for insurance companies, fiduciaries or trustees and sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. The Texas Finance Code also contains provisions that, subject to the prudent investor standard, provide for the Bonds to be legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. For the Bonds to be eligible investments for municipalities, political subdivisions or public agencies of Texas, the PFIA provides a rating of not less than "A" or its equivalent as to investment quality must be assigned by a national rating agency. Furthermore, the Bonds are eligible to secure the deposits of any public funds of the State of Texas, its agencies and its political subdivisions and are legal security for those deposits to the extent of their market value.

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the City. Issuance of the Bonds is also subject to the legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas ("Bond Counsel"), based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the City payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the City. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the statements and information contained in this Official Statement under the captions "THE BONDS" (excluding the information under the subcaptions "Sources and Uses of Funds for the Bonds," "Payment Record" and "Legality," as to which no opinion will be expressed), "REGISTRATION, TRANSFER AND EXCHANGE," "SELECTED PROVISIONS OF THE ORDINANCE," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance With Prior Agreements," as to which no opinion will be expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Ordinance; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions "TAX MATTERS," and the subcaptions "Legal Investments and Eligibility to Secure Public Funds in Texas", "Legal Opinions" and "Registration and Qualification" under the caption "OTHER PERTINENT INFORMATION," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Ratings

The Bonds and the currently outstanding unenhanced, System supported debt of the City is rated "Aa1" (no outlook)" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). An explanation of the significance of such ratings may be obtained from the rating agencies. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Verification of Arithmetical and Mathematical Computations

Causey Public Finance, LLC will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, the mathematical accuracy of computations of the adequacy of the cash and the maturing principal of and interest on the Governmental Obligations, to pay, when due or upon early redemption, the principal of, interest on and related call premium requirements, if any, of the Refunded Obligations.

Financial Advisor

Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa".

Estrada Hinojosa is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Initial Purchasers of the Bonds

After requesting competitive bids for the Bonds, the City accepted the bid of _____________ (the "Initial Purchasers") to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of ___% of par. The Initial Purchasers can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchasers. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchasers.

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources, which are believed to be reliable. The City did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the September 30, 2024 financial statements. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

This Official Statement will be approved by the Pricing Officer of the Issuer for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as a part of the Pricing Certificate.

____
Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015					
Serials	3/15/2026	5.000%	$ 220,000	7/17/2025	100.00
	3/15/2027	5.000%	235,000	7/17/2025	100.00
	3/15/2028	5.000%	245,000	7/17/2025	100.00
	3/15/2029	5.000%	255,000	7/17/2025	100.00
	3/15/2030	5.000%	270,000	7/17/2025	100.00
	3/15/2031	5.000%	285,000	7/17/2025	100.00
	3/15/2032	5.000%	300,000	7/17/2025	100.00
	3/15/2033	5.000%	315,000	7/17/2025	100.00
	3/15/2034	5.000%	330,000	7/17/2025	100.00
	3/15/2035	5.000%	350,000	7/17/2025	100.00
			$ 2,805,000		

* Preliminary, subject to change.

APPENDIX A

FINANCIAL INFORMATION PERTAINING TO REVENUE BOND DEBT

FINANCIAL INFORMATION PERTAINING TO REVENUE BOND DEBT

Waterworks and Sewer System Operating Statement

	2020	2021	2022	2023	2024
Revenues					
Charges for Services	$ 102,017,917	$ 104,813,321	$ 123,282,973	$ 137,696,263	$ 151,771,050
Investment Income	3,565,989	2,041,993	(2,455,333)	13,291,268	21,482,930
Miscellaneous	27,818	1,187,886	102,324	97,431	772,935
	$ 105,611,724	$ 108,043,200	$ 120,929,964	$ 151,084,962	$ 174,026,915
Expenditures [(1)]					
Personnel Services	$ 10,733,808	$ 10,905,325	$ 11,715,467	$ 13,950,261	$ 15,144,694
Material and Supplies	637,117	688,076	882,765	937,244	1,342,943
Maintenance	2,701,097	2,768,058	3,289,725	3,910,279	3,866,051
Purchases of Water/Sewer Service	57,176,000	57,964,644	60,311,710	68,581,016	77,606,351
Contract Payments	6,179,644	6,057,185	6,663,784	8,193,391	9,037,620
Office Rental	0	0	0	0	
Heat, Light and Power	1,113,086	821,990	1,114,264	912,013	963,947
Other	3,718,664	2,905,413	4,952,409	6,401,449	8,227,883
	$ 82,259,416	$ 82,110,691	$ 88,930,124	$ 102,885,653	$ 116,189,489
Net Revenue					
Available for Debt Service	$ 23,352,308	$ 25,932,509	$ 31,999,840	$ 48,199,309	$ 57,837,426
Average Annual Debt Service	$ 9,738,690	$ 11,024,573	$ 14,785,089	$ 16,901,926	$18,841,430
Annual Debt Service	$ 14,591,338	$ 16,491,429	$ 19,169,863	$ 21,009,069	$19,120,656
Average Coverage	2.40	2.35	2.16	2.85	3.07
Annual Coverage	1.60	1.57	1.67	2.29	3.02

[(1)] Excludes depreciation.
Source: City of McKinney Annual Comprehensive Financial Reports, Fiscal Years 2020-2024

Equity in System

	2020	2021	2022	2023	2024
Fixed Assets					
Net Plant Assets [(1)]	$ 465,694,416	$ 486,059,708	$ 511,445,309	$ 569,122,600	$ 632,410,640
Obligations					
Revenue Bond Debt	161,152,389	184,308,370	235,709,035	265,700,939	294,117,389
Less; Reserve Fund	8,818,206	9,301,316	14,132,648	16,964,922	19,229,859
Net Long-Term Liabilities	152,334,183	175,007,054	221,576,387	248,736,017	274,887,530
Equity in System	$ 313,360,233	$ 311,052,654	$ 289,868,922	$ 320,386,583	$ 357,523,110
Percentage Equity in System	67.29%	63.99%	56.68%	56.29%	56.53%

[(1)] Net of accumulated depreciation.

Pro Forma Revenue Bond Debt Service Requirements

Fiscal Year Ended 09/30	Outstanding Debt Service (1)	Plus: The Bonds Principal	Interest	Total	Total Combined Debt Service
2025	$ 23,548,268	$ -	$ 326,333	$ 326,333	$ 23,874,601
2026	23,264,144	925,000	1,311,875	2,236,875	25,501,019
2027	23,260,744	980,000	1,264,250	2,244,250	25,504,994
2028	23,262,869	1,025,000	1,214,125	2,239,125	25,501,994
2029	22,668,969	1,080,000	1,161,500	2,241,500	24,910,469
2030	21,848,094	1,135,000	1,106,125	2,241,125	24,089,219
2031	21,848,819	1,190,000	1,048,000	2,238,000	24,086,819
2032	21,851,619	1,255,000	986,875	2,241,875	24,093,494
2033	21,843,900	1,315,000	922,625	2,237,625	24,081,525
2034	21,847,194	1,385,000	855,125	2,240,125	24,087,319
2035	21,842,091	1,460,000	784,000	2,244,000	24,086,091
2036	21,839,100	1,180,000	718,000	1,898,000	23,737,100
2037	20,526,575	1,240,000	657,500	1,897,500	22,424,075
2038	17,875,275	1,305,000	593,875	1,898,875	19,774,150
2039	17,053,075	1,375,000	526,875	1,901,875	18,954,950
2040	14,760,525	1,445,000	456,375	1,901,375	16,661,900
2041	13,226,875	1,515,000	382,375	1,897,375	15,124,250
2042	11,212,600	1,595,000	304,625	1,899,625	13,112,225
2043	6,319,800	1,675,000	222,875	1,897,875	8,217,675
2044	3,014,100	1,765,000	136,875	1,901,875	4,915,975
2045	-	1,855,000	46,375	1,901,375	1,901,375
	$ 372,914,633	$ 26,700,000	$ 15,026,583	$ 41,726,583	$ 414,641,217

[1] Does not include debt service on the Refunded Obligations. Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.

Revenue Bond Principal Repayment Schedule

Fiscal Year Ended 09/30	Outstanding Principal (1)	Plus: The Bonds	Total	Bonds Outstanding at End of Year	Percent Retired
2025	$ 11,645,000	$ -	$ 11,645,000	$ 278,330,000	4.38%
2026	12,200,000	925,000	13,125,000	265,205,000	8.99%
2027	12,795,000	980,000	13,775,000	251,430,000	13.74%
2028	13,430,000	1,025,000	14,455,000	236,975,000	18.58%
2029	13,480,000	1,080,000	14,560,000	222,415,000	23.78%
2030	13,310,000	1,135,000	14,445,000	207,970,000	28.71%
2031	13,975,000	1,190,000	15,165,000	192,805,000	33.69%
2032	14,670,000	1,255,000	15,925,000	176,880,000	38.55%
2033	15,380,000	1,315,000	16,695,000	160,185,000	43.26%
2034	16,115,000	1,385,000	17,500,000	142,685,000	48.21%
2035	16,865,000	1,460,000	18,325,000	124,360,000	53.40%
2036	17,620,000	1,180,000	18,800,000	105,560,000	58.84%
2037	17,040,000	1,240,000	18,280,000	87,280,000	64.53%
2038	15,050,000	1,305,000	16,355,000	70,925,000	70.48%
2039	14,825,000	1,375,000	16,200,000	54,725,000	76.52%
2040	13,105,000	1,445,000	14,550,000	40,175,000	82.19%
2041	12,120,000	1,515,000	13,635,000	26,540,000	86.86%
2042	10,615,000	1,595,000	12,210,000	14,330,000	91.30%
2043	6,080,000	1,675,000	7,755,000	6,575,000	94.85%
2044	2,955,000	1,765,000	4,720,000	1,855,000	97.83%
2045	-	1,855,000	1,855,000	-	100.00%
	$ 263,275,000	$ 26,700,000	$ 289,975,000		

(1) Does not include principal on the Refunded Obligations. Preliminary, subject to change.

Capital Improvement Plan and Proposed Issuance Schedule

The City annually includes in its budget, as a planning tool, a five-year general governmental and enterprise fund capital improvement plan (the "CIP"). The CIP is subject to adjustment, and will be affected by a variety of factors, including tax base changes, events effecting water supply and sewer service, including, particularly, the rates required to support such services, population growth and public support for governmental infrastructure and other facilities. The current CIP includes $908,247,549 of approved projects for fiscal years ending 2025 through 2029. Of the $908,247,549, approximately $174,825,000 is anticipated to be funded during this five-year period from the issuance of Revenue Bonds and $448,795,000 from the issuance of General Obligation Bonds/Certificates of Obligations. The current CIP includes the potential issuance of $50,650,000 and $92,975,000 in ad valorem tax-supported obligations, and $59,650,000 and $85,100,000 in water and sewer revenue bonds, in fiscal year 2025 and 2026, respectively, with the balance of the debt shown in the CIP issued in the later years covered by the CIP.

Historical Water Consumption

Fiscal Year Ended	Maximum Daily Production (Gallons)	Average Daily Production (Gallons)	Total Usage (Gallons)[1]	Meters In Service	Usage Per Day Per Meter (Gallons)
2015	48,175,226	27,255,175	9,948,139,000	55,466	491
2016	40,777,129	28,286,493	10,324,570,000	57,094	495
2017	39,684,433	28,788,685	10,507,870,000	60,956	472
2018	52,611,387	33,546,447	12,244,453,000	62,092	540
2019	60,715,000	33,202,301	10,927,000,000	64,716	513
2020	47,992,419	30,007,515	10,952,743,000	67,575	444
2021	44,371,774	29,848,852	10,894,831,000	70,857	421
2022	49,860,419	34,103,564	12,447,801,000	73,551	464
2023	57,397,000	33,908,288	12,376,525,000	75,922	447
2024	56,820,326	34,549,342	12,610,510,000	79,162	436

____

(1) Includes wholesale customers.

Note: Average monthly residential water usage for FY24 = 14,000 gallons.
Average monthly residential water bill for FY24 = $103.60.

Water Rates

		Effective 10/1/24
Base/Minimum Monthly Rate:		
	-Residential	$18.70
	-Non-Residential & Irrigation Meters	
	3/4 inch	18.70
	1 inch	32.85
	1.5 inch	56.25
	2 inch	78.85
	3 inch	138.85
	4 inch	206.50
	6 inch	384.95
	8 inch	760.45
	10 inch	1,438.90
	12 inch	2,690.00
Volumetric Rates (per 1,000 gallons):		
	-Residential & Irrigation Meters:	
	1 to 7,000 gallons	$4.70
	7 to 20,000 gallons	6.50
	20,001 - 40,000 Gallons	8.20
	Over 40,000 Gallons	9.85
	-Wholesale/Municipal Water Rate	4.05
	-All Other Meters	5.45

Top Ten Water Customers

2024 Top Ten Water Customers Name	Annual Consumption Gallons	% of Total Usage
Stonebridge Ranch	119,961,000	0.95%
Craig Ranch	84,484,000	0.67%
Raytheon	67,740,000	0.54%
Harbert Parkside	55,175,000	0.44%
Baylor Hospital	54,610,000	0.43%
Blount Fine Foods	52,377,000	0.42%
Orion McKinney	38,032,000	0.30%
Metro Linen	34,344,000	0.27%
Fairways At Wilson Creek	29,941,000	0.24%
BT-JV MS LLC	28,975,000	0.23%
Total	565,639,000	4.49%

Wastewater Indicators

Fiscal Year Ended	Maximum Daily Treated (Gallons)	Average Daily Treated Gallons	Total Treated Gallons	Returned to the System[(1)]	Load Factor [(2)]
2015	29,557,000	16,156,666	5,897,183,000	59%	55%
2016	22,254,677	17,058,529	6,226,363,000	60%	77%
2017	15,619,161	14,426,518	5,265,679,000	50%	92%
2018	19,137,548	15,494,282	5,655,413,000	46%	81%
2019	21,127,484	17,870,088	6,522,582,000	60%	85%
2020	22,057,839	16,739,805	6,110,029,000	56%	76%
2021	22,540,323	17,128,584	6,251,933,000	57%	76%
2022	19,361,290	15,940,707	5,818,358,000	47%	82%
2023	19,884,774	17,604,611	6,425,683,000	52%	89%
2024	28,831,032	20,940,740	7,643,370,000	61%	73%

(1) This column represents the percentage of water sold in the City to the amount of wastewater collected by the City (excludes wholesale customers).

(2) Load factor is the percentage of average daily treated wastewater to the maximum daily treated wastewater.

Note: Average monthly residential sewer usage for FY24 = 8,000 gallons

Average monthly residential sewer bill for FY24 = $72.50

Wastewater Rates

		Effective 10/1/24
Base/Minimum Monthly Rate:		
	-Residential	$ 24.55
	-Non-Residential & Irrigation Meters	
	3/4 inch	$ 24.55
	1 inch	40.25
	1.5 inch	66.45
	2 inch	86.50
	3 inch	135.65
	4 inch	192.30
	6 inch	328.55
	8 inch	642.85
	10 inch	1,323.30
	12 inch	2,699.25
Volumetric Rates (per 1,000 gallons):		
	-Residential & Irrigation Meters:	
	1 to 8,000 gallons (using Winter Quarter Average)[1]	$ 6.85

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(1) Winter Quarter Average – Three month average water usage during December, January and February. Maximum sewer charge for residential customers is limited to 8,000 Gallons or $79.35 per month.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF McKINNEY AND COLLIN COUNTY

GENERAL INFORMATION REGARDING THE CITY OF McKINNEY AND COLLIN COUNTY

The City of McKinney, the county seat of Collin County, is located 30 miles north of downtown Dallas on U.S. Highway 75 and 51 miles northeast of Fort Worth. The City is a home rule city and operates under the Mayor-Council-Manager form of government. The City Council is comprised of the Mayor and six Council members. Four of the Council members are elected from defined districts, while the Mayor and two Council members are elected on an at-large basis. All members are elected for four-year staggered terms. The City Manager is the administrative head of the municipal government and carries out the policies of the City Council. It is the responsibility of the City Manager to appoint department heads and to conduct the general affairs of the City.

The City of McKinney has a diverse economy with a balanced employment mix in manufacturing, wholesale trade, retail trade, services, government, education and construction. In addition, the City is a progressive community with economic development as a major component of city planning. The City has adopted a ½ cent sales tax for economic development and created the McKinney Economic Development Corporation to direct the revenues from this tax for the recruitment of new businesses and jobs to the City. The City has also adopted an additional ½ cent sales tax to fund infrastructure, historic preservation efforts and public projects such as cultural and civic facilities and sports and recreation facilities. Furthermore, the City has been granted an Enterprise Zone designation under the State's Enterprise Zone Program.

Population Statistics

Year	Population	Year	Population
1950	10,560	2006	104,853
1960	13,763	2007	115,198
1970	15,193	2008	120,978
1980	16,256	2009	122,083
1990	21,283	2010	131,117
1991	23,138	2011	133,619
1992	24,261	2012	136,666
1993	25,953	2013	140,826
1994	29,706	2014	149,082
1995	30,173	2015	155,142
1996	31,783	2016	161,905
1997	34,150	2017	168,358
1998	38,700	2018	179,804
1999	44,000	2019	187,802
2000	54,369	2020	195,342
2001	58,438	2021	198,507
2002	66,990	2022	206,654
2003	76,907	2023	211,397
2004	85,865	2024	214,810
2005	94,733	2025	224,043

Source: City of McKinney; 2024 Annual Development Report. Prepared by the City of McKinney Planning Department.

Unemployment Rates

	City of McKinney			Texas		
	December 2024	December 2023	December 2022	December 2024	December 2023	December 2022
Civilian Labor Force	123,327	119,663	117,545	15,591,398	15,090,824	14,823,059
Total Employment	119,417	115,940	113,902	15,012,362	14,564,917	14,276,851
Total Unemployment	3,910	3,723	3,643	579,036	525,907	546,208
Percentage Unemployment	3.17%	3.11%	3.10%	3.71%	3.48%	3.68%

Source: Texas Labor Market Information, not seasonally adjusted. http://www.texaslmi.com. Accessed on February 27, 2025.

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Major Employers

Company	Product or Service	Approximate Number Number of Employees
Raytheon Intelligence & Space	Electronic systems	4,200
McKinney Independent School District	Educational services	2,920
Collin County	Governmental Services	2,000
Globelife/Torchmark	Insurance	1,700
Encore Wire Corp.	Manufacturing	1,653
City of McKinney	Governmental Services	1,565
Medical Center of McKinney	Medical Services	1,424
Baylor Medical Center	Medical Services	1,171
Collin College	Education	794
Simpson Strong-Tie	Structural Connectors	650

Source: City of McKinney Annual Comprehensive Financial Report FYE 2024 – Statistical Section.

Building Permits

Year	Commercial # Permits	Commercial $ Value	Residential # Permits	Residential $ Value	Multi-Family # Permits	Multi-Family $ Value
2015	71	$ 187,927,020	2,081	$ 703,543,990	9	$ 192,553,399
2016	59	116,187,569	2,205	734,006,485	5	116,044,204
2017	97	239,296,995	2,521	804,505,939	4	137,467,540
2018	105	295,791,897	2,294	746,996,815	5	139,087,727
2019	86	235,766,779	1,506	491,617,184	6	194,268,078
2020	69	372,583,627	1,544	505,735,976	4	78,274,913
2021	81	211,994,221	1,722	510,404,069	0	-
2022	94	685,306,237	1,286	407,834,304	10	339,030,798
2023	129	485,606,593	1,853	583,350,264	16	491,397,920
2024	76	485,352,139	2,310	722,166,144	6	207,367,350

All permits listed are for new building permits alone and do not include additions and alteration permits. Source: City of McKinney 2024 Annual Development Report

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

NORTON ROSE FULBRIGHT

[closing date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "City of McKinney, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2025," dated June 17, 2025, in the principal amount of $__________ (the "Bonds"), we have examined into their issuance by the City of McKinney, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on March 15 in each of the years specified in a pricing certificate executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (jointly the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and BOKF, NA, (the "Escrow Agent"), a special report (the "Verification Report") of Causey Public Finance, LLC (the "Accountants") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City and are payable solely from and equally and ratably secured by a lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System, except to the extent that the enforceability thereof may be affected by bankruptcy,

insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms and the outstanding obligations refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the Verification Report of the Accountants as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

AUDITED FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

2300 North Field Street, Suite 1000
Dallas, Texas 75201
972-490-1970

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of McKinney, Texas (City), as of and for the year ended September 30, 2024, and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Members of the City Council
City of McKinney, Texas

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 26, 2024

McKINNEY®
TEXAS
Unique by nature.

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, 2024. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2024, by $1,904 million (Net Position). Of this amount, $1,372 million (72%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total $241 million (13%). The remaining $292 million (15%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net position increased by $177 million or 10%. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by $50 million or 21%.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $551.3 million, an increase of $102.7 million in comparison to the prior year. Approximately $95.3 million, or 17%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, $5.3 million is non-spendable for inventory and prepaid items. Fund balance is restricted in the amounts of $9.6 million for debt service, $388.5 million is for street construction and other capital projects, and $14.0 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of $14.9 million for other postemployment benefits (OPEB), $22.4 million for capital equipment replacement, $0.6 million for disaster relief and $0.7 million for public and performing arts. The remaining $95.3 million is unassigned fund balance and can be used for any lawful purpose. The unassigned fund balance is equal to 47% of total general fund expenditures. This represents 19% more than the fund balance policy requirement of 25%.
- On a government-wide basis, the City's total liabilities increased by $167.7 million or 19% during the current fiscal year. Major contributable factors include debt issuances resulting in net increase of $143.2 million increase to bonds payable including associated changes in bond premiums.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks, and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.

- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.

- **Component Units** – The City includes five separate legal entities in its report –McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau, McKinney Main Street, and McKinney Housing Finance Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

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

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

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

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

  The City of McKinney maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation.

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

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-89.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 92-99.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 105-139 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $1,904 million as of September 30, 2024.

By far the largest portion of the City's net position, $1,372 million or 72% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, $241 million or 13%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $292 million or 15% may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Assets						
Current and other assets	$ 644,286	$ 526,979	$ 459,498	$ 398,845	$ 1,103,784	$ 925,824
Capital assets	1,042,419	947,851	792,571	707,513	1,834,990	1,655,364
Total assets	1,686,705	1,474,830	1,252,069	1,106,358	2,938,774	2,581,188
Deferred outflows of resources	33,050	45,893	7,118	9,265	40,168	55,158
Liabilities						
Other liabilities	53,567	41,151	60,480	48,592	114,047	89,743
Long-term liabilities outstanding	613,949	501,676	311,809	280,645	925,758	782,321
Total liabilities	667,516	542,827	372,289	329,237	1,039,805	872,064
Deferred inflows of resources	24,364	25,702	10,362	10,815	34,726	36,517
Net position						
Net investment in capital assets	720,559	682,445	651,140	595,684	1,371,699	1,278,129
Restricted	216,732	183,572	24,015	24,089	240,747	207,661
Unrestricted	90,584	86,177	201,381	155,798	291,965	241,975
Total net position	$ 1,027,875	$ 952,194	$ 876,536	$ 775,571	$ 1,904,411	$ 1,727,765

The City of McKinney's net position increased by $177 million during the current fiscal year. This was driven by an increase in governmental and business-type net position of $75.7 million and $101.0 million, respectively. Details are listed in the table below.

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Revenues:						
Program revenues:						
Charges for services	$ 35,214	$ 40,900	$ 180,395	$ 166,958	$ 215,609	$ 207,858
Operating grants and contributions	5,231	6,236	5,488	50	10,719	6,286
Capital grants and contributions	70,092	119,592	61,641	85,850	131,733	205,442
General revenues:						
Property taxes	159,252	147,760	-	-	159,252	147,760
Sales taxes	51,747	48,394	-	-	51,747	48,394
Franchise taxes	20,467	19,398	-	-	20,467	19,398
Other taxes and fees	203	243	-	-	203	243
Investment income	35,690	22,578	24,960	14,882	60,650	37,460
Other revenues	4,342	4,405	8,165	(20)	12,507	4,385
Total revenues	382,238	409,506	280,649	267,720	662,887	677,226
Expenses:						
General government	71,474	48,694	-	-	71,474	48,694
Police	54,338	50,630	-	-	54,338	50,630
Fire	49,868	49,176	-	-	49,868	49,176
Libraries	5,038	4,825	-	-	5,038	4,825
Development	15,533	15,593	-	-	15,533	15,593
Parks and recreation	31,679	28,401	-	-	31,679	28,401
Public works	64,771	58,471	-	-	64,771	58,471
Interest on long-term debt	19,073	12,234	-	-	19,073	12,234
Airport	-	-	16,592	18,459	16,592	18,459
Water/Wastewater	-	-	142,757	126,622	142,757	126,622
Solid Waste	-	-	10,266	9,285	10,266	9,285
Golf Course	-	-	64	496	64	496
Surface Water Drainage	-	-	4,787	4,342	4,787	4,342
Total expenses	311,774	268,024	174,466	159,204	486,240	427,228
Increase (decrease) in net position before transfers and special items	70,464	141,482	106,183	108,516	176,647	249,998
Transfers	5,218	7,167	(5,218)	(7,167)	-	-
Increase (decrease) in net position	75,682	148,649	100,965	101,349	176,647	249,998
Net Position - Beginning	952,193	803,545	775,571	674,222	1,727,764	1,477,767
Net Position - Ending	$ 1,027,875	$ 952,194	$ 876,536	$ 775,571	$ 1,904,411	$ 1,727,765

Governmental Activities

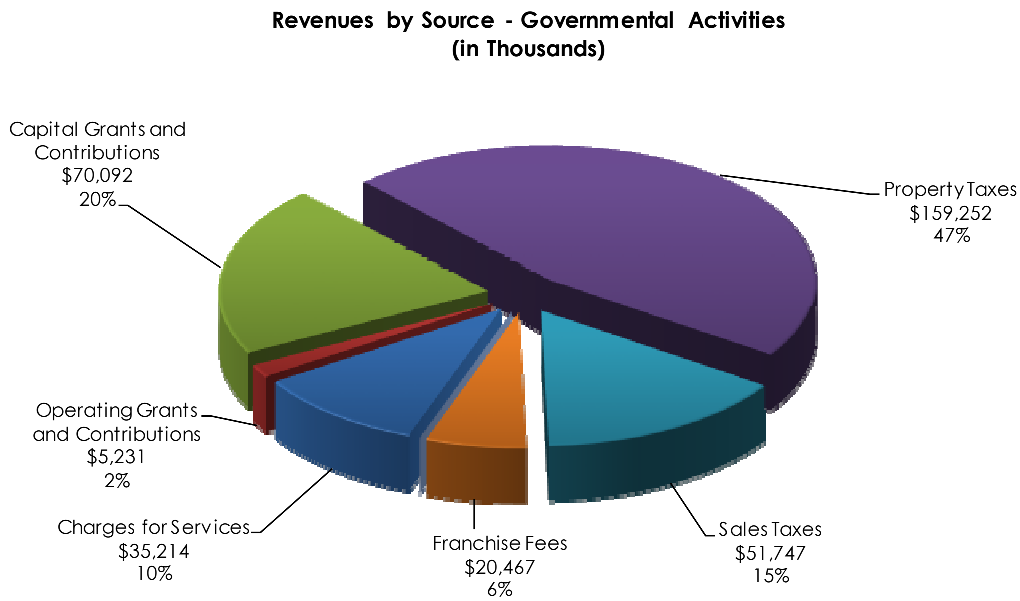
Governmental activities increased the City's net position by $75.7 million during the current fiscal year. The key elements of this increase are as follows:

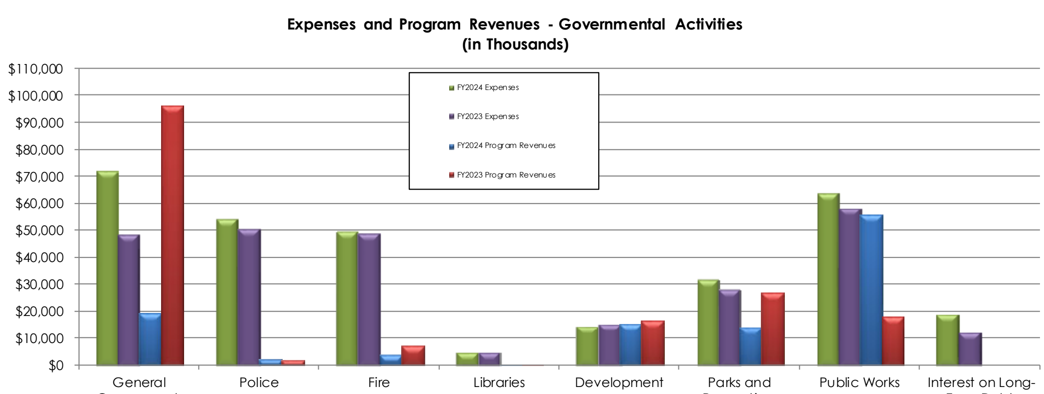
Revenues

- Property Taxes increased by $11.7 million as a result of a 15% increase in certified taxable value.
- Intergovernmental revenue decreased $16.7 million or 52% due to ARPA revenue decreasing by $20 million.
- Contributions decreased by $16.7 million or 50% due to one time parkland fees and roadway impact fees in FY 2023.

Expenses

- Police and Fire increased $3.9 million and $1.1 million, respectively, due to new positions added, and pay plan adjustments/step increases.
- Capital outlay increased $10.3 million due to additions to projects in FY 2024.





Business-type Activities

Business-type activities increased the City of McKinney's net position by $101.0 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

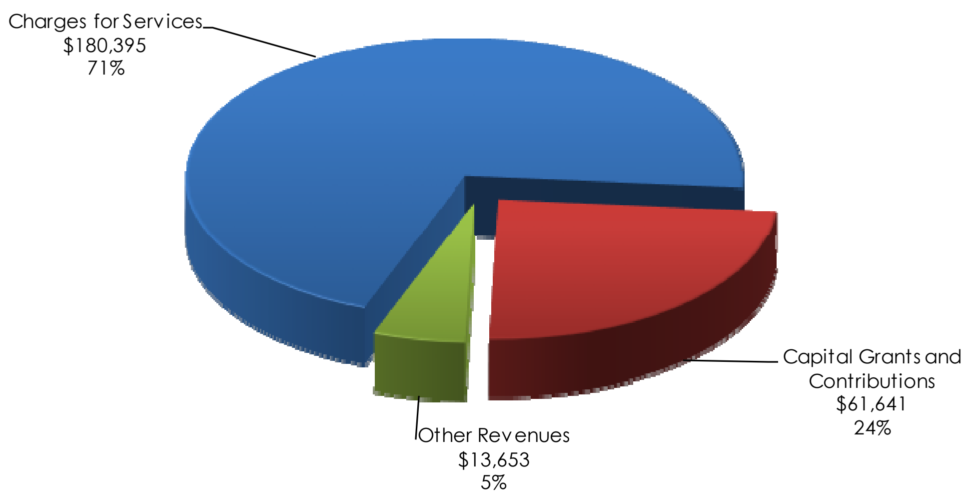
Revenues

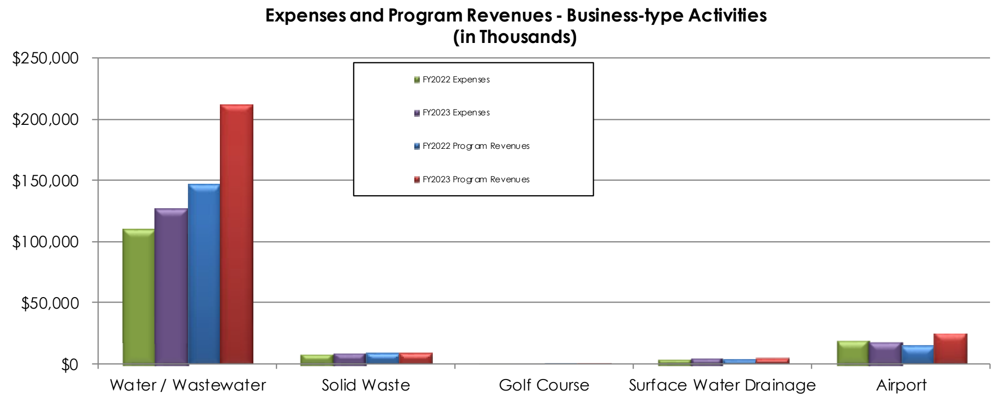
- The Water/Wastewater Fund's operating revenues increased by $14.1 million, or 10% as a result of adding approximately 1,800 new customer accounts.
- The Water/Wastewater Fund received capital contributions of $58.8 million relating to continued development in the City.
- The Airport Fund received intergovernmental revenue of $5.5 million relating to continued development at the Airport.

Expenses

- The Water/Wastewater Fund's operating expenses increased by of $15 million or 13%. This increase is attributed to an increase of $9 million in water purchases from North Texas Municipal Water District.
- The Airport Fund's operating expenses decreased by $1.9 million or 10.2%. This decrease is mainly attributed to a decrease of $900 thousand in fuel purchases.

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





Financial Analysis of the City's Funds

Governmental Funds

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

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of $551.3 million, an increase of $102.7 million or 23% in comparison to the prior year. Approximately $95.3 million or 68% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered non-spendable, restricted, or assigned in conformance with GASB 54 requirements. Please see page 24 for financial details and notes to financial statements for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $95.3 million, while total fund balance was $139.6 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45% of total general fund expenditures.

General fund balance increased $7.6 million, or 6%, over the prior year due to increases in property tax revenue from higher property valuations and strong investment income due to favorable market conditions.

The original budget included a planned decrease in fund balance of $7.5 million. However, the general fund balance increased by $7.6 million or 6% during the current fiscal year. Actual revenue was above budget by $1.2 million primarily related to investment income being $3.4 million over the original budget.

Debt Service Fund. The debt service fund had a total fund balance of $9.6 million, an increase of $867 thousand over the prior year.

Capital Projects Fund. The governmental capital projects fund had an ending fund balance of $353.7 million. Total expenditures for the current year were $123.7 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to the acquisition of right-of-way and construction phases. Major expenditures incurred during the current year included construction of the new Municipal Complex.

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, 2024, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by $61.7 million resulting primarily from capital contributions. Operating revenues totaled $153.0 million, an increase of $15.2 million, or 11% over the prior year due to adding approximately 1,800 new customer accounts. Operating expenses in the Water and Wastewater Fund were $131.8 million, an increase of $15.0 million or 13% over the prior year, primarily a result of the increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of $177.5 million, which was an increase of $37.8 million compared to the previous year. Operating revenues increased by $4.8 million, primarily driven by $5.5 million in intergovernmental revenue. Additionally, the Airport Fund received $26.9 million in transfers to support airport development. Operating expenses declined by $1.9 million, largely due to a reduction in fuel purchases for resale.

Solid Waste Fund. The City's Solid Waste Fund net position increased by $339 thousand. Operating revenues totaled $10.3 million, which was an increase of $235 thousand as compared to the previous year. Operating expenses and net transfers were $10.7 million which were $440 thousand higher than the previous year.

Golf Course Fund. The Golf Course Fund net position increased by $1.2 million. Revenues were approximately $247 thousand which as mainly attributable to the contract fee. Expenses were primarily depreciation totaling $64 thousand. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund's net position decreased by $94 thousand to $6.3 million. Charges for services remained relatively consistent with the prior year at $4.8 million.

General Fund Budgetary Highlights

The actual FY2023-24 expenditures were $214 million, $6.2 million less than the final budget of $220.2 million. However, at the end of the year, $3.7 million of budgeted vehicles were re-appropriated to fiscal year 2025.

Actual revenues were $213.1 million or $1.2 million more than the $211.9 million budget plan. The final revenue budget was $6.1 million more than the original adopted budget mainly attributed to the increase in licenses and permits.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $1.83 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, water and wastewater systems, drainage systems, park facilities, and police and fire equipment, as well as right-to-use lease and SBITA assets. This amount represents a net increase (including additions and deductions) of $180 million over the prior fiscal year.

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

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

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Land	$ 93,657	$ 94,957	$ 53,898	$ 54,357	$ 147,555	$ 149,314
Works of art	1,060	1,054	-	-	1,060	1,054
Construction in progress	235,438	161,250	69,718	62,893	305,156	224,143
Buildings	175,054	180,953	49,596	46,294	224,650	227,247
Right-to-use leased assets	4,821	1,575	306	88	5,127	1,663
SBITA assets	96	666	-	-	96	666
Infrastructure	503,069	478,509	589,698	534,551	1,092,767	1,013,060
Machinery and equipment	29,190	28,859	29,355	9,330	58,545	38,189
Service animals	34	28	-	-	34	28
Total	$ 1,042,419	$ 947,851	$ 792,571	$ 707,513	$ 1,834,990	$ 1,655,364

Capital project commitments as of September 30, 2024:

Description	Appropriated Commitment
Water/Wastewater Projects	$ 28,443,269
Streets Projects	46,420,737
Parks Projects	25,438,893
Public Safety Projects	17,326,629
Municipal Facilities	104,689,947
Airport Projects	29,679,454
	$ 251,998,929

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

Long-term Debt. At year end, the City had $804 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $661 million at the end of the prior fiscal year. This represents an increase of 22%. All outstanding debt is summarized in thousands below:

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 510,209	$ 395,408	$ -	$ -	$ 510,209	$ 395,408
Revenue bonds (backed by fee revenues)	-	-	294,117	265,701	294,117	265,701
Totals	$ 510,209	$ 395,408	$ 294,117	$ 265,701	$ 804,326	$ 661,109

In 2024, the City once again received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds. Moody's Investors Service reaffirmed its Aaa rating and Standard and Poor's reaffirmed its AAA rating for the City's general obligation bonds. The city reaffirmed ratings of Aa1 from Moody's and AA+ with stable outlook from Standard and Poor's for its water and wastewater utilities system.

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

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

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2025 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2025 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2025 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced by just over one cent to $0.415513 cents per $100 assessed value
- Total City budget $888 million
- General Fund budget $219.4 million
- Increased and sustained funding for equipment and facilities improvements
- Budget supplemental funding of $16.2 million ($5.8 million for additional staff and other recurring costs, $10.4 million for one-time costs) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program
- Additional 50 full-time equivalent (FTE) positions (39 in the General Fund and 11 in other funds)

The property tax rate for fiscal year 2025 decreased from $0.427513 to $0.415513 per $100 assessed value.

Requests for Information

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

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Basic Financial Statements

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City of McKinney, Texas
Statement of Net Position
September 30, 2024

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 183,709,833	$ 23,830,921	$ 207,540,754	$ 51,859,103
Investments	173,377,104	75,544,545	248,921,649	61,770,450
Receivables (net of allowance for uncollectibles)	24,892,114	24,565,534	49,457,648	9,147,312
Notes receivable	-	-	-	770,000
Leases receivable	14,194,103	9,528,692	23,722,795	717,896
Internal balances	498,914	(498,914)	-	-
Due from other governments	796,663	1,873,638	2,670,301	-
Other assets	-	-	-	51
Inventory	378,820	1,151,886	1,530,706	-
Prepaid items	4,893,586	1,743,650	6,637,236	65,077
Restricted assets:				
Cash and cash equivalents	241,544,673	232,912,656	474,457,329	4,152,604
Investments	-	87,268,053	87,268,053	-
Accrued interest receivable	-	1,577,218	1,577,218	-
Capital assets:				
Non depreciable	330,154,597	123,615,357	453,769,954	78,434,434
Depreciable/amortizable (net)	712,264,600	668,955,597	1,381,220,197	21,943,701
Total assets	1,686,705,007	1,252,068,833	2,938,773,840	228,860,628
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	28,994,460	3,878,563	32,873,023	520,312
Deferred OPEB outflows	2,996,578	287,118	3,283,696	38,518
Deferred charge for refunding	1,059,456	167,751	1,227,207	63,173
Excess consideration provided for acquisition	-	2,784,235	2,784,235	-
Total deferred outflows of resources	33,050,494	7,117,667	40,168,161	622,003
LIABILITIES				
Accounts payable	29,979,949	14,722,742	44,702,691	577,462
Other accrued liabilities	16,005,553	6,212,393	22,217,946	50,031
Unearned revenue	3,105,896	32,898,646	36,004,542	5,371,714
Accrued interest payable	2,586,285	519,051	3,105,336	92,688
Deposits	1,888,893	6,127,552	8,016,445	10,000
Non-current liabilities:				
Due within one year:				
Compensated absences	1,749,088	183,934	1,933,022	18,802
Bonds payable	42,055,747	14,689,390	56,745,137	3,350,000
Subscription liability	48,077	-	48,077	-
Right-to-use lease liability	1,841,225	74,761	1,915,986	263,991
Due in more than one year:				
Arbitrage liability	3,435,879	5,507,167	8,943,046	-
Compensated absences	17,685,218	1,859,782	19,545,000	190,108
Bonds payable	468,152,949	279,427,999	747,580,948	27,845,000
Subscription liability	50,000	-	50,000	
Right-to-use lease liability	3,201,956	250,235	3,452,191	2,673,158
Net pension liability	58,288,130	7,797,151	66,085,281	1,045,990
Total OPEB liability	17,441,079	2,018,467	19,459,546	270,777
Total liabilities	667,515,924	372,289,270	1,039,805,194	41,759,721
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	285,086	38,135	323,221	5,116
Deferred OPEB inflows	10,834,328	1,278,780	12,113,108	171,548
Deferred lease inflows	13,244,757	9,044,598	22,289,355	685,524
Total deferred inflows of resources	24,364,171	10,361,513	34,725,684	862,188
NET POSITION				
Net investment in capital assets	720,559,595	651,139,586	1,371,699,181	66,309,159
Restricted for:				
Use of impact fees	13,517,353	4,014,734	17,532,087	-
Debt service	7,589,730	20,000,110	27,589,840	4,131,524
Capital projects	146,658,914	-	146,658,914	-
Public safety	1,004,320	-	1,004,320	-
Community development	44,908,578	-	44,908,578	-
Court	392,011	-	392,011	-
PEG	2,292,793	-	2,292,793	-
Grants and donations	368,132	-	368,132	-
Unrestricted	90,583,980	201,381,287	291,965,267	116,420,039
TOTAL NET POSITION	$ 1,027,875,406	$ 876,535,717	$ 1,904,411,123	$ 186,860,722

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Activities
For The Year Ended September 30, 2024

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	$ 71,474,309	$ 8,046,673	$ 1,947,715	$ 9,405,006
Police	54,337,908	248,851	2,002,106	-
Fire	49,867,885	3,722,987	45,688	125,907
Libraries	5,037,577	29,770	6,692	-
Development	15,533,129	14,602,968	703,593	47,201
Parks and recreation	31,679,247	6,887,482	525,781	6,590,325
Public works	64,770,851	1,674,777	-	53,923,790
Interest on long-term debt	19,073,427	-	-	-
Total governmental activities	311,774,333	35,213,508	5,231,575	70,092,229
Business-type activities:				
Water/wastewater	142,757,565	151,771,050	-	58,837,140
Solid waste	10,265,503	10,311,782	-	29,794
Golf course	63,639	114,364	-	1,048,072
Surface water drainage	4,786,747	4,779,930	-	-
Airport	16,591,981	13,418,411	5,488,030	1,725,938
Total business-type activities	174,465,435	180,395,537	5,488,030	61,640,944
TOTAL PRIMARY GOVERNMENT	$ 486,239,768	$ 215,609,045	$ 10,719,605	$ 131,733,173
COMPONENT UNITS				
Governmental activities:				
McKinney Economic Development Corp	$ 11,464,994	$ -	$ 399,110	$ -
McKinney Community Development Corp	15,834,277	-	95,728	3,437,531
McKinney Convention & Visitors Bureau	1,345,113	-	1,282,000	-
McKinney Main Street Corporation	1,398,264	1,275,933	209,500	-
	30,042,648	1,275,933	1,986,338	3,437,531
Business-type activities:				
McKinney Housing Finance Corporation	23,313	670,654	-	-
TOTAL COMPONENT UNITS	$ 30,065,961	$ 1,946,587	$ 1,986,338	$ 3,437,531

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Investment income (loss)
- Gain on sale of assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

NET POSITION - ENDING

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (52,074,915)	$ -	$ (52,074,915)	$ -
(52,086,951)	-	(52,086,951)	-
(45,973,303)	-	(45,973,303)	-
(5,001,115)	-	(5,001,115)	-
(179,367)	-	(179,367)	-
(17,675,659)	-	(17,675,659)	-
(9,172,284)	-	(9,172,284)	-
(19,073,427)	-	(19,073,427)	-
(201,237,021)	-	(201,237,021)	-
-	67,850,625	67,850,625	-
-	76,073	76,073	-
-	1,098,797	1,098,797	-
-	(6,817)	(6,817)	-
-	4,040,398	4,040,398	-
-	73,059,076	73,059,076	-
(201,237,021)	73,059,076	(128,177,945)	-
$ -	$ -	$ -	$ (11,065,884)
-	-	-	(12,301,018)
-	-	-	(63,113)
-	-	-	87,169
-	-	-	(23,342,846)
-	-	-	647,341
$ -	$ -	$ -	$ (22,695,505)
$ 159,252,278	$ -	$ 159,252,278	$ -
51,747,455	-	51,747,455	47,766,142
20,466,956	-	20,466,956	-
202,580	-	202,580	-
35,689,804	24,959,506	60,649,310	6,046,274
-	6,972,513	6,972,513	679,629
4,342,261	1,191,847	5,534,108	82,545
5,217,826	(5,217,826)	-	-
276,919,160	27,906,040	304,825,200	54,574,590
75,682,139	100,965,116	176,647,255	31,879,085
952,193,267	775,570,601	1,727,763,868	154,981,637
$ 1,027,875,406	$ 876,535,717	$1,904,411,123	$ 186,860,722

City of McKinney, Texas
Balance Sheet
Governmental Funds
September 30, 2024

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 51,414,259	$ 10,496,847	$ 299,569,091	$ 46,650,660	$ 408,130,857
Investments	80,444,210	-	85,657,105	-	166,101,315
Receivables (net of allowance for uncollectibles):					
Ad valorem taxes	1,247,009	579,549	-	-	1,826,558
Accounts	5,599,357	-	41,749	34,574	5,675,680
Notes	1,156,052	-	-	1,500,000	2,656,052
Leases	14,194,103	-	-	-	14,194,103
Other taxes and fees	11,376,891	-	-	337,613	11,714,504
Accrued interest	881,643	85,426	1,202,760	-	2,169,829
Due from other funds	550,214	-	-	-	550,214
Due from other governments	35,585	-	-	761,078	796,663
Inventory	378,820	-	-	-	378,820
Prepaid items	4,791,810	-	101,776	-	4,893,586
Total assets	$ 172,069,953	$ 11,161,822	$ 386,572,481	$ 49,283,925	$ 619,088,181
LIABILITIES					
Accounts payable	$ 6,395,306	$ 985,807	$ 20,563,653	$ 384,497	$ 28,329,263
Other accrued liabilities	4,846,870	-	10,947,224	61,509	15,855,603
Deposits	1,888,893	-	-	-	1,888,893
Due to other funds	-	-	-	51,300	51,300
Unearned revenue	1,422,391	-	1,393,641	289,864	3,105,896
Total liabilities	14,553,460	985,807	32,904,518	787,170	49,230,955
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	4,707,037	621,777	-	-	5,328,814
Leases	13,244,757	-	-	-	13,244,757
Total deferred inflows of resources	17,951,794	621,777	-	-	18,573,571
FUND BALANCES					
NONSPENDABLE:					
Inventory	378,820	-	-	-	378,820
Prepaid items	4,791,810	-	101,776	-	4,893,586
RESTRICTED:					
Debt service	-	9,554,238	-	-	9,554,238
Street construction	-	-	153,222,384	-	153,222,384
Capital projects	-	-	200,343,803	34,935,267	235,279,070
Law enforcement	77,068	-	-	1,073,317	1,150,385
Courts	392,011	-	-	-	392,011
Fire	-	-	-	45,208	45,208
PEG	-	-	-	2,292,793	2,292,793
Community housing	-	-	-	1,583,670	1,583,670
Hotel/Motel	-	-	-	8,389,641	8,389,641
Transit	-	-	-	152,430	152,430
Grants	-	-	-	24,429	24,429
ASSIGNED:					
Capital equipment replacement	22,421,057	-	-	-	22,421,057
Disaster relief	581,076	-	-	-	581,076
OPEB	14,918,758	-	-	-	14,918,758
Public & performing arts	690,447	-	-	-	690,447
UNASSIGNED	95,313,652	-	-	-	95,313,652
Total fund balances	139,564,699	9,554,238	353,667,963	48,496,755	551,283,655
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 172,069,953	$ 11,161,822	$ 386,572,481	$ 49,283,925	$ 619,088,181

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2024

Fund balances of governmental funds		$ 551,283,655
Amounts reported for governmental activities in the statement of net position are different because:		
Receivables not measurable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.		5,328,814
Capital assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation/amortization.		1,042,419,197
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred pension outflows	$ 28,994,460	
Deferred OPEB outflows	2,996,578	
Deferred charge on refunding	1,059,456	
Deferred pension inflows	(285,086)	
Deferred OPEB inflows	(10,834,328)	21,931,080
Internal service funds are used by management to charge the cost of certain activities, including self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		23,448,293
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(2,586,285)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General and certificates of obligation bonds	$ (475,310,000)	
Bond premiums	(34,898,696)	
Arbitrage liability	(3,435,879)	
Subscription liability	(98,077)	
Right-to-use lease liability	(5,043,181)	
Net pension liability	(58,288,130)	
Total OPEB liability	(17,441,079)	
Compensated absences	(19,434,306)	(613,949,348)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,027,875,406

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For The Year Ended September 30, 2024

	General	Debt Service	Capital Projects
REVENUES			
Property taxes	$ 102,698,733	$ 51,918,649	$ -
Sales and use taxes	44,204,599	-	-
Franchise fees	20,423,100	-	-
Other taxes and fees	-	-	-
Licenses and permits	15,656,963	-	-
Intergovernmental	1,733,239	-	10,892,808
Charges for services	14,667,145	-	-
Fines and forfeitures	1,675,387	-	-
Investment income (loss)	10,206,537	2,332,265	18,968,282
Contributions	540,244	-	15,930,742
Miscellaneous	1,293,806	-	-
Total revenues	213,099,753	54,250,914	45,791,832
EXPENDITURES			
Current:			
General government	44,933,211	-	1,082,020
Police	49,867,021	-	-
Fire	44,631,968	-	36,027
Libraries	4,285,065	-	-
Development	14,580,882	-	-
Parks and recreation	22,386,113	-	1,936,178
Public works	19,982,124	-	5,130,330
Debt Service:			
Principal retirement	2,428,219	36,605,000	-
Interest and fiscal charges	296,475	17,722,556	1,411,455
Capital Expenditures:			
General government	5,632,719	-	60,835,398
Police	902,486	-	-
Fire	1,288,258	-	16,750,663
Libraries	-	-	155,039
Development	737,279	-	-
Parks and recreation	633,554	-	16,818,616
Public works	1,479,973	-	19,524,815
Total expenditures	214,065,347	54,327,556	123,680,541
Excess (deficiency) of revenues over (under) expenditures	(965,594)	(76,642)	(77,888,709)
OTHER FINANCING SOURCES (USES)			
Other financing source-issuance of long-term debt	-	-	147,773,326
Other financing source-issuance of refunding debt	-	1,764,004	-
Deposit to bond refunding escrow account	-	(1,750,625)	-
Premium on issuance of debt	-	-	8,196,640
Proceeds from sale of property	2,940,234	-	-
Lease proceeds	5,550,100	-	-
Transfers in	9,533,199	929,981	43,680,000
Transfers out	(9,430,000)	-	(24,000,000)
Total other financing sources (uses)	8,593,533	943,360	175,649,966
Net change in fund balances	7,627,939	866,718	97,761,257
Fund balances, beginning of year	131,936,760	8,687,520	255,906,706
FUND BALANCES, END OF YEAR	$ 139,564,699	$ 9,554,238	$ 353,667,963

The Notes to the Financial Statements are an integral part of this statement.

Nonmajor Governmental Funds	Total Governmental Funds
$ 4,368,325	$ 158,985,707
7,542,856	51,747,455
-	20,423,100
202,580	202,580
-	15,656,963
3,068,199	15,694,246
-	14,667,145
233,432	1,908,819
2,526,543	34,033,627
30,115	16,501,101
19,177	1,312,983
17,991,227	331,133,726
4,981,284	50,996,515
164,897	50,031,918
48,213	44,716,208
-	4,285,065
608,327	15,189,209
-	24,322,291
-	25,112,454
275,000	39,308,219
706,634	20,137,120
-	66,468,117
125,800	1,028,286
93,021	18,131,942
-	155,039
-	737,279
-	17,452,170
-	21,004,788
7,003,176	399,076,620
10,988,051	(67,942,894)
-	147,773,326
-	1,764,004
-	(1,750,625)
-	8,196,640
-	2,940,234
-	5,550,100
270,000	54,413,180
(14,765,354)	(48,195,354)
(14,495,354)	170,691,505
(3,507,303)	102,748,611
52,004,058	448,535,044
$ 48,496,755	$ 551,283,655

City of McKinney, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended September 30, 2024

Net change in fund balances- total governmental funds.		$ 102,748,611
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.		119,646,040
Governmental funds do not recognize contributed capital assets. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.		43,128,457
Depreciation and amortization expense on capital assets, right-to-use lease assets, and SBITA assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in the governmental funds.		(57,968,777)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	$ 36,880,000	
Subscription liability	725,292	
Right-to-use lease liability	1,702,927	39,308,219
The issuance of long-term debt, such as bonds and leases, are shown as "Other Sources" and “Other Uses” in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:		
Issuance of long term-debt	$ (149,525,000)	
Issuance of refunding debt		
Deposit to bond refunding escrow agent	1,750,625	
Recognition of premium on debt issuance	(8,196,640)	
Amortization of refunding loss	(279,876)	
Amortization of bond premium	4,326,097	(151,924,794)
The arbitrage liability is considered a long-term liability, and thus not recognized on the fund level financial statements.		(2,293,218)
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balances and as actuarially determined in the government-wide statement of activities.		(2,766,333)
Current year change in long-term liability for compensated absences does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(1,783,907)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(689,308)
Internal service funds are used by management to share the costs of certain activities including self-insurance to individual funds.		2,731,525
In the governmental fund financial statements, the proceeds from the sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.		(15,336,233)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		881,857
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 75,682,139

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenditures and Changes
in Fund Balances- Budget (GAAP Basis) and Actual-General Fund
For the Year Ended September 30, 2024

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 103,938,879	$ 104,163,879	$ 102,698,733	$ (1,465,146)
Sales and use taxes	43,290,967	43,266,758	44,204,599	937,841
Franchise fees	19,036,787	19,812,754	20,423,100	610,346
Licenses and permits	14,687,545	16,504,045	15,656,963	(847,082)
Intergovernmental	1,549,905	1,748,298	1,733,239	(15,059)
Charges for services	16,089,139	16,278,696	14,667,145	(1,611,551)
Fines and forfeitures	1,447,300	1,786,300	1,675,387	(110,913)
Investment income (loss)	5,694,000	6,811,885	10,206,537	3,394,652
Contributions	555,100	555,100	540,244	(14,856)
Miscellaneous	716,575	965,799	1,293,806	328,007
Total revenues	207,006,197	211,893,514	213,099,753	1,206,239
EXPENDITURES				
General government	48,999,057	52,724,600	53,290,624	(566,024)
Police	53,114,821	53,594,635	50,769,507	2,825,128
Fire	44,370,508	47,157,390	45,920,226	1,237,164
Libraries	4,366,090	4,401,027	4,285,065	115,962
Development	15,801,564	15,671,961	15,318,161	353,800
Parks and recreation	22,779,053	23,483,476	23,019,667	463,809
Public works	21,794,650	23,205,927	21,462,097	1,743,830
Total expenditures	211,225,743	220,239,016	214,065,347	6,173,669
Excess (deficiency) of revenues over (under) expenditures	(4,219,546)	(8,345,502)	(965,594)	7,379,908
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	455,000	2,080,000	2,940,234	860,234
Lease proceeds	-	-	5,550,100	5,550,100
Transfers in	5,557,524	8,533,199	9,533,199	1,000,000
Transfers out	(9,280,000)	(9,430,000)	(9,430,000)	-
Total other financing sources (uses)	(3,267,476)	1,183,199	8,593,533	7,410,334
Net change in fund balances	(7,487,022)	(7,162,303)	7,627,939	14,790,242
Fund balances, beginning of year	131,936,760	131,936,760	131,936,760	-
Fund balances, end of year	$ 124,449,738	$ 124,774,457	$ 139,564,699	$ 14,790,242

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	$ 4,925,538	$ 7,275,348	$ 11,630,035	$ 23,830,921	$ 16,799,377
Investments	75,544,545	-	-	75,544,545	7,275,789
Restricted assets:					
Cash and cash equivalents	206,638,008	26,264,648	10,000	232,912,656	324,272
Receivables (net of allowance for uncollectibles)	21,275,147	375,829	2,311,361	23,962,337	806,034
Accrued interest receivable	542,091	-	61,106	603,197	43,457
Due from other funds	15,829	-	-	15,829	-
Notes receivable- interfund	-	-	2,873,168	2,873,168	-
Leases receivable	-	9,528,692	-	9,528,692	-
Due from other governments	1,873,638	-	-	1,873,638	-
Inventory	1,013,227	138,659	-	1,151,886	-
Prepaid items	43,460	1,700,190	-	1,743,650	-
Total current assets	311,871,483	45,283,366	16,885,670	374,040,519	25,248,929
Noncurrent assets:					
Restricted assets:					
Investments	55,030,773	32,237,280	-	87,268,053	-
Accrued interest receivable	923,707	653,511	-	1,577,218	-
Total restricted assets	55,954,480	32,890,791	-	88,845,271	-
Capital assets:					
Land	13,278,340	40,052,693	566,509	53,897,542	-
Buildings	10,893,118	60,497,658	1,815,054	73,205,830	-
Improvements other than buildings	714,974,208	83,512,546	3,763,497	802,250,251	-
Machinery and equipment	29,525,440	2,617,652	11,704,205	43,847,297	-
Right-to-use lease asset	-	532,172	-	532,172	-
Construction in progress	50,779,254	18,786,546	152,015	69,717,815	-
Less accumulated depreciation/amortization	(187,039,720)	(57,652,915)	(6,187,318)	(250,879,953)	-
Total capital assets (net of accumulated depreciation)	632,410,640	148,346,352	11,813,962	792,570,954	-
Total noncurrent assets	688,365,120	181,237,143	11,813,962	881,416,225	-
TOTAL ASSETS	1,000,236,603	226,520,509	28,699,632	1,255,456,744	25,248,929
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	2,508,950	581,386	788,227	3,878,563	-
Deferred OPEB outflows	185,731	43,038	58,349	287,118	-
Deferred charge for refunding	167,751	-	-	167,751	-
Excess consideration provided for acquisition	-	2,784,235	-	2,784,235	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,862,432	3,408,659	846,576	7,117,667	-

(continued)

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,007,790	$ 327,108	$ 1,548,316	$ 3,883,214	$ 1,650,686
Other accrued liabilities	505,201	61,762	658,287	1,225,250	149,950
Due to other funds	477,706	-	37,037	514,743	-
Note payable- interfund	-	512,528	57,030	569,558	-
Compensated absences	116,502	25,408	42,024	183,934	-
Accrued interest payable	519,051	-	-	519,051	-
Right-to-use lease liability	-	74,761	-	74,761	-
Total current liabilities unrestricted	3,626,250	1,001,567	2,342,694	6,970,511	1,800,636
Liabilities (payable from restricted assets):					
Accounts payable	6,456,907	4,382,621	-	10,839,528	-
Revenue bonds payable	14,689,390	-	-	14,689,390	-
Unearned revenue	-	32,898,646	-	32,898,646	-
Other accrued liabilities	4,360,649	626,494	-	4,987,143	-
Deposits	5,860,038	257,514	10,000	6,127,552	-
Total current liabilities (payable from restricted assets)	31,366,984	38,165,275	10,000	69,542,259	-
Total current liabilities	34,993,234	39,166,842	2,352,694	76,512,770	1,800,636
Noncurrent liabilities:					
Compensated absences	1,177,966	256,904	424,912	1,859,782	-
Note payable- interfund	-	2,002,366	301,244	2,303,610	-
Right-to-use lease liability	-	250,235	-	250,235	-
Arbitrage liability	5,507,167	-	-	5,507,167	-
Revenue bonds, certificates of obligation payable	279,427,999	-	-	279,427,999	-
Net pension liability	5,043,792	1,168,773	1,584,586	7,797,151	-
Total OPEB liability	1,305,698	302,563	410,206	2,018,467	-
Total noncurrent liabilities	292,462,622	3,980,841	2,720,948	299,164,411	-
TOTAL LIABILITIES	327,455,856	43,147,683	5,073,642	375,677,181	1,800,636
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	24,668	5,716	7,751	38,135	-
Deferred OPEB inflows	827,212	191,686	259,882	1,278,780	-
Deferred leases inflows	-	9,044,598	-	9,044,598	-
TOTAL DEFERRED INFLOWS OF RESOURCES	851,880	9,242,000	267,633	10,361,513	-
NET POSITION					
Net investment in capital assets	496,313,383	143,012,241	11,813,962	651,139,586	-
Restricted for:					
Use of impact fees	4,014,734	-	-	4,014,734	-
Debt service	20,000,110	-	-	20,000,110	-
Unrestricted	154,463,072	34,527,244	12,390,971	201,381,287	23,448,293
TOTAL NET POSITION	$ 674,791,299	$ 177,539,485	$ 24,204,933	$ 876,535,717	$ 23,448,293

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	**Airport**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Fund**
OPERATING REVENUES					
Charges for services	$ 151,771,050	$ 13,418,411	$ 15,206,076	$ 180,395,537	$ 33,522,269
Intergovernmental	-	5,488,030	-	5,488,030	-
Miscellaneous	772,935	282,169	136,743	1,191,847	3,024,935
Total operating revenues	152,543,985	19,188,610	15,342,819	187,075,414	36,547,204
OPERATING EXPENSES					
Personnel services	15,144,694	3,123,065	4,757,649	23,025,408	-
Materials, supplies and services	1,342,943	5,727,993	247,093	7,318,029	30,127,068
Maintenance	3,866,051	489,340	325,668	4,681,059	-
Purchase of water	77,606,351	-	-	77,606,351	-
Contract payments	9,037,620	595,213	8,855,393	18,488,226	4,010,985
Utilities	963,947	352,204	797	1,316,948	-
Depreciation and amortization	15,655,414	5,189,017	661,375	21,505,806	-
Other	8,227,883	1,032,146	267,914	9,527,943	-
Total operating expenses	131,844,903	16,508,978	15,115,889	163,469,770	34,138,053
Operating income	20,699,082	2,679,632	226,930	23,605,644	2,409,151
NON-OPERATING REVENUES (EXPENSES)					
Investment income (loss)	21,482,930	2,512,390	964,186	24,959,506	1,656,177
Interest and fiscal charges	(10,912,662)	(83,003)	-	(10,995,665)	-
Gain (loss) from disposal of assets	526,874	6,424,102	21,537	6,972,513	(333,803)
Total non-operating revenues	11,097,142	8,853,489	985,723	20,936,354	1,322,374
Income before contributions and transfers	31,796,224	11,533,121	1,212,653	44,541,998	3,731,525
Contributions	58,837,140	1,725,938	1,077,866	61,640,944	-
Transfers in	-	26,864,000	156,304	27,020,304	-
Transfers out	(28,922,703)	(2,341,674)	(973,753)	(32,238,130)	(1,000,000)
Change in net position	61,710,661	37,781,385	1,473,070	100,965,116	2,731,525
Net position - beginning	613,080,638	139,758,100	22,731,863	775,570,601	20,716,768
TOTAL NET POSITION - ending	$ 674,791,299	$ 177,539,485	$ 24,204,933	$ 876,535,717	$ 23,448,293

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2024

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 149,695,740	$ 17,928,997	$ 15,505,296	$ 183,130,033	$ 34,259,108
Other operating revenues	772,935	282,169	136,743	1,191,847	3,024,935
Cash payments to employees for services	(14,756,617)	(3,056,683)	(4,619,493)	(22,432,793)	-
Cash payments to suppliers for goods and services	(87,977,674)	(8,455,879)	(8,448,393)	(104,881,946)	(33,571,386)
Net cash provided by (used in) operating activities	47,734,384	6,698,604	2,574,153	57,007,141	3,712,657
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	26,864,000	156,304	27,020,304	-
Cash received from other funds	-	-	561,053	561,053	-
Transfers to other funds	(28,922,703)	(2,341,674)	(973,753)	(32,238,130)	(1,000,000)
Net cash provided by (used in) non-capital financing activities	(28,922,703)	24,522,326	(256,396)	(4,656,773)	(1,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(10,435,000)	-	-	(10,435,000)	-
Bond proceeds	41,825,967	-	-	41,825,967	-
Principal paid on interfund loans	-	(505,004)	(56,049)	(561,053)	-
Interest and fiscal charges on debt	(13,736,228)	(83,003)	-	(13,819,231)	-
Acquisition and construction of capital assets	(20,655,349)	(10,291,644)	(7,474,128)	(38,421,121)	-
Proceeds from sale of assets	549,035	-	21,537	570,572	(215,808)
Capital grants	-	1,718,680	-	1,718,680	-
Net cash provided by (used in) capital and related financing activities	(2,451,575)	(9,160,971)	(7,508,640)	(19,121,186)	(215,808)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	(48,564,942)	(32,237,280)	9,758,100	(71,044,122)	7,522,750
Proceeds from sale and maturities of securities	526,874	-	-	526,874	-
Investment earnings (loss)	21,482,930	2,512,390	964,186	24,959,506	1,656,177
Net cash provided by (used in) investing activities	(26,555,138)	(29,724,890)	10,722,286	(45,557,742)	9,178,927
Net increase (decrease) in cash	(10,195,032)	(7,664,931)	5,531,403	(12,328,560)	11,675,776
Cash and cash equivalents at beginning of year	221,758,578	41,204,927	6,108,632	269,072,137	5,447,873
Cash and cash equivalents at end of year	$ 211,563,546	$ 33,539,996	$ 11,640,035	$ 256,743,577	$ 17,123,649
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION					
Unrestricted cash and cash equivalents	$ 4,925,538	$ 7,275,348	$ 11,630,035	$ 23,830,921	$ 16,799,377
Restricted cash and cash equivalents	206,638,008	26,264,648	10,000	232,912,656	324,272
	$ 211,563,546	$ 33,539,996	$ 11,640,035	$ 256,743,577	$ 17,123,649
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	$ 20,699,082	$ 2,679,632	$ 226,930	$ 23,605,644	$ 2,409,151
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	15,655,414	5,189,017	661,375	21,505,806	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(1,217,685)	(247,708)	230,271	(1,235,122)	720,943
Accrued interest receivable	(643,618)	(653,511)	68,949	(1,228,180)	15,896
Due from other funds	(2,907)	-	-	(2,907)	-
Inventory	(211,100)	51,257	-	(159,843)	-
Prepaid items	1,103,174	(1,327,438)	563,602	339,338	-
Leases receivable and deferred inflows from leases	-	(127,482)	-	(127,482)	-
Increase (decrease) in liabilities:					
Accounts payable	5,196,422	726,006	462,638	6,385,066	557,384
Accrued liabilities	2,548,432	294,430	215,462	3,058,324	9,283
Due to other funds	46,523	-	6,770	53,293	-
Compensated absences	156,208	12,649	65,313	234,170	-
Deposits	603,860	48,019	-	651,879	-
Arbitrage liability	3,568,710	-	-	3,568,710	
Net pension liability and OPEB obligation	231,869	53,733	72,843	358,445	-
Total adjustments	27,035,302	4,018,972	2,347,223	33,401,497	1,303,506
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 47,734,384	$ 6,698,604	$ 2,574,153	$ 57,007,141	$ 3,712,657
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets	$ 58,837,140	$ 1,725,938	$ 1,077,866	$ 61,640,944	$ -
Transfer of capital assets	-	-	-	-	-

The Notes to the Financial Statements are an integral part of this statement.

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City of McKinney, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2024

	Governmental Activities				Business-Type Activities	
	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
ASSETS						
Cash and cash equivalents	$ 20,507,964	$ 28,136,191	$ 157,999	$ 532,596	$ 2,524,353	$ 51,859,103
Investments	13,918,590	47,851,860	-	-	-	61,770,450
Receivables (net of allowance for uncollectibles)	4,265,980	4,360,175	-	265,208	255,949	9,147,312
Notes receivable	-	750,000	-	-	20,000	770,000
Leases receivable	538,422	179,474	-	-	-	717,896
Prepaid items	44,255	10,522	3,800	6,500	-	65,077
Other assets	-	-	-	-	51	51
Restricted assets:						
Cash and cash equivalents	4,152,604	-	-	-	-	4,152,604
Capital assets:						
Non depreciable	66,682,807	6,279,989	-	-	5,471,638	78,434,434
Depreciable (net)	2,081,253	19,304,141	450,087	108,220	-	21,943,701
Total assets	112,191,875	106,872,352	611,886	912,524	8,271,991	228,860,628
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	316,056	81,029	123,227	-	-	520,312
Deferred OPEB outflows	23,397	5,999	9,122	-	-	38,518
Deferred charge for refunding	63,173	-	-	-	-	63,173
Total deferred outflows of resources	402,626	87,028	132,349	-	-	622,003
LIABILITIES						
Accounts payable	229,659	24,865	36,759	280,359	5,820	577,462
Other accrued liabilities	25,739	9,188	15,003	101	-	50,031
Unearned revenue	-	-	-	12,250	5,359,464	5,371,714
Accrued interest payable	21,080	71,608	-	-	-	92,688
Deposits	7,500	2,500	-	-	-	10,000
Non-current liabilities:						
Due within one year:						
Compensated absences	8,030	5,958	4,814	-	-	18,802
Bonds payable	2,205,000	1,145,000	-	-	-	3,350,000
Right-to-use lease liability	165,629	55,210	43,152	-	-	263,991
Due in more than one year:						
Compensated absences	81,189	60,243	48,676	-	-	190,108
Bonds payable	13,895,000	13,950,000	-	-	-	27,845,000
Right-to-use lease liability	1,676,680	558,893	437,585	-	-	2,673,158
Net pension liability	635,372	162,893	247,725	-	-	1,045,990
Total OPEB liability	164,480	42,168	64,129	-	-	270,777
Total liabilities	19,115,358	16,088,526	897,843	292,710	5,365,284	41,759,721
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	3,108	796	1,212	-	-	5,116
Deferred OPEB inflows	104,205	26,715	40,628	-	-	171,548
Deferred lease inflows	514,143	171,381	-	-	-	685,524
Total deferred inflows of resources	621,456	198,892	41,840	-	-	862,188
NET POSITION						
Net investment in capital assets	50,884,924	9,875,027	(30,650)	108,220	5,471,638	66,309,159
Restricted for:						
Debt service	4,131,524	-	-	-	-	4,131,524
Unrestricted	37,841,239	80,796,935	(164,798)	511,594	(2,564,931)	116,420,039
TOTAL NET POSITION (DEFICIT)	$ 92,857,687	$ 90,671,962	$ (195,448)	$ 619,814	$ 2,906,707	$ 186,860,722

The Notes to the Financial Statements are an integral part of this statement.

City of McKinney, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position
Discretely Presented Component Units
For the Year Ended September 30, 2024

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
McKinney Economic Dev. Corporation	$ 11,464,994	$ -	$ 399,110	$ -
McKinney Community Dev. Corporation	15,834,277	-	95,728	3,437,531
McKinney Convention & Visitors Bureau	1,345,113	-	1,282,000	-
McKinney Main Street Corporation	1,398,264	1,275,933	209,500	-
Total governmental activities	30,042,648	1,275,933	1,986,338	3,437,531
BUSINESS-TYPE ACTIVITIES				
McKinney Housing Finance Corporation	23,313	670,654	-	-
Total business-type activities	23,313	670,654	-	-
TOTAL COMPONENT UNITS	$ 30,065,961	$ 1,946,587	$ 1,986,338	$ 3,437,531

General revenues:

Sales taxes

Investment income

Gain (loss) on the sale of assets

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

NET POSITION - ENDING

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Component Units					
McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
$ (11,065,884)	$ -	$ -	$ -	$ -	$ (11,065,884)
-	(12,301,018)	-	-	-	(12,301,018)
-	-	(63,113)	-	-	(63,113)
-	-	-	87,169	-	87,169
(11,065,884)	(12,301,018)	(63,113)	87,169	-	(23,342,846)
-	-	-	-	647,341	647,341
-	-	-	-	647,341	647,341
$ (11,065,884)	$ (12,301,018)	$ (63,113)	$ 87,169	$ 647,341	$ (22,695,505)
$ 23,883,071	$ 23,883,071	$ -	$ -	$ -	$ 47,766,142
1,723,931	4,305,134	4,868	524	11,817	6,046,274
679,629	-	-	-	-	679,629
-	19,982	62,563	-	-	82,545
26,286,631	28,208,187	67,431	524	11,817	54,574,590
15,220,747	15,907,169	4,318	87,693	659,158	31,879,085
77,636,940	74,764,793	(199,766)	532,121	2,247,549	154,981,637
$ 92,857,687	$ 90,671,962	$ (195,448)	$ 619,814	$ 2,906,707	$ 186,860,722

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Note 1. Summary of Significant Accounting Policies

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

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2024.

Financial Statement Presentation

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

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

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

Financial Reporting Entity

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

Blended Component Units

The McKinney Urban Transit District (MUTD) is a blended component unit presented as a nonmajor special revenue fund of the City. The governing body of the MUTD consists of the seven City of McKinney councilmembers and one representative from each of the district members including the Collin County Commissioners' Court, the City of Celina, the City of Lowry Crossing, the City of Melissa, the City of Princeton and the Town of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Prosper who are 65 years of age or older or are disabled. MUTD services almost exclusively benefit the primary government even though it does not provide services directly to the City.

Discretely Presented Component Units

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund.

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

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB.

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

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

Government-Wide and Fund Financial Statements

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

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

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund's financial statements. The major governmental funds are the general fund, debt service fund, and capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets (including deferred outflows of resources), liabilities (including deferred inflows of resources), revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Fund Accounting

The following major funds are used by the City:

1. **Governmental Funds:**

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

a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

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

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

2. **Proprietary Funds:**

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

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

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

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

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

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

Cash, Cash Equivalents, and Investments

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

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

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

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

In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

Inventories and Prepaid Items

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

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2024, and the related non-spendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

Interfund Receivables and Payables

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

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

Restricted Assets

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

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

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

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

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $10,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Right-to-use lease assets are discussed in Leases, and SBITA assets are discussed in Subscription-Based Information Technology Arrangements (SBITAs).

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

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

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

Compensated Absences

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

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

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

Bonds Payable and Other Long-Term Obligations

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

Pensions

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

Defined Benefit Other Postemployment Benefit Plans

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

Governmental Activities, Business-type Activities and Component Units of the City reported the following total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEBs as of September 30, 2024:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:			
Retiree Health Care Plan	$ 15,089,183	$ 2,146,369	$ 9,559,599
Supplemental Death Benefits Plan	2,351,896	850,209	1,274,729
	$ 17,441,079	$ 2,996,578	$ 10,834,328
Business-Type Activities:			
Retiree Health Care Plan	$ 2,018,467	$ 287,118	$ 1,278,780
Component Units:			
Retiree Health Care Plan	$ 270,777	$ 38,518	$ 171,548

For the year ended September 30, 2024, the City recognized aggregate OPEB expense of $1,332,840.

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

Deferred Outflows/Inflows of Resources

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

- Deferred charges for refundings – A deferred charge for refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.

- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.

- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.

- Difference in projected and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

- Changes of Assumptions (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

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

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

Fund Equity

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

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

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

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

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

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

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

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

GASB Pronouncements Implemented by the City

GASB Statement No. 100, *Accounting Changes and Error Corrections- an amendment of GASB Statement No. 62*, establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement had no impact on the City's financial statements.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Data

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

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

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

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2024, the total amendments to the original adopted budgeted amounts resulted in a $9,013,273 increase in budgeted General Fund expenditures.

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

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

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

Note 3. Detailed Notes on All Funds

Cash and Investments

Cash and investments as of September 30, 2024, consist of and are classified in the accompanying financial statements as follows:

PRIMARY GOVERNMENT	
Statement of net position:	
Cash and cash equivalents	$ 207,540,754
Investments	248,921,649
Restricted cash and cash equivalents	474,457,329
Restricted investments	87,268,053
Total cash and investments	$ 1,018,187,785
Cash on hand	$ 9,676
Deposits with financial institution, excluding certificates of deposit	47,686,009
Investments	970,492,100
Total cash and investments	$ 1,018,187,785
COMPONENT UNITS	
Statement of net position:	
Cash and cash equivalents	$ 51,859,103
Investments	61,770,450
Restricted cash and cash equivalents	4,152,604
Total cash and investments	$ 117,782,157
Cash on hand	$ 200
Deposits with financial institution, excluding certificates of deposit	6,816,784
Investments	110,965,173
Total cash and investments	$ 117,782,157

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

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

Disclosures Relating to Interest Rate Risk

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

As of September 30, 2024, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
PRIMARY GOVERNMENT		
TexPool/TexPool Prime	$ 226,237,528	31 days
LOGIC	180,522,643	46 days
TexasDAILY	108,458,737	43 days
Texas CLASS	119,083,491	36 days
Federal Agency Securities	336,189,701	296 days
Total Fair Value	$ 970,492,100	
COMPONENT UNITS		
TexPool Prime	$ 10,079,891	31 days
LOGIC	36,638,225	46 days
TexasDAILY	1,937,301	43 days
Texas CLASS	539,306	36 days
Federal Agency Securities	61,770,450	
Total Fair Value	$ 110,965,173	
Total Fair Value - Reporting Entity	$ 1,081,457,273	

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

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
PRIMARY GOVERNMENT			
TexPool/TexPool Prime	$ 226,237,528	AAA/AAA-m	AAA-m
LOGIC	180,522,643	AAA/AAA-m	AAA-m
TexasDAILY	108,458,737	AAA/AAA-m	AAA-m
Texas CLASS	119,083,491	AAA/AAA-m	AAA-m
Federal Agency Securities	336,189,701	AAA	AAA
	$ 970,492,100		

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
COMPONENT UNITS			
TexPool Prime	$ 10,079,891	AAA/AAA-m	AAA-m
LOGIC	36,638,225	AAA/AAA-m	AAA-m
TexasDAILY	1,937,301	AAA/AAA-m	AAA-m
Texas CLASS	539,306	AAA/AAA-m	AAA-m
Federal Agency Securities	61,770,450	AAA	AAA
	$ 110,965,173		

Custodial Credit Risk

The Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2024, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

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

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Hilltop Securities. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

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

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

Property Taxes

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

Taxes are due on October 1st immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2024, were 99.61% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2024 and the preceding year are as follows (amounts per $100 assessed value):

	2024	2023
General Fund	$ 0.286688	$ 0.311797
Debt Service	0.140825	0.145688
	$ 0.427513	$ 0.457485

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

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

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to $2.50 per $100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of $2.50 but does not prescribe a legal debt limit. The 2024 ad valorem tax rate of $0.427513 is in compliance with the rate limitation.

Receivables

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

	Governmental Funds				
	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Interest	$ 881,643	$ 85,426	$ 1,202,760	$ -	$ 2,169,829
Taxes	12,623,900	579,549	-	337,613	13,541,062
Accounts	10,176,269	-	41,749	34,574	10,252,592
Notes	1,156,052	-	-	1,500,000	2,656,052
Leases	14,194,103	-	-	-	14,194,103
Due from other governments	35,585	-	-	761,078	796,663
Gross receivables	39,067,552	664,975	1,244,509	2,633,265	43,610,301
Less: allowance	(4,576,912)	-	-	-	(4,576,912)
Net total receivables and due from other governments	$ 34,490,640	$ 664,975	$ 1,244,509	$ 2,633,265	$ 39,033,389

	Business-type Activities			
	Water Wastewater	Airport	Nonmajor Enterprise Funds	Total
Customer accounts	$ 21,562,098	$ 375,829	$ 2,352,877	$ 24,290,804
Leases	-	9,528,692	-	9,528,692
Due from other governments	1,873,638	-	-	1,873,638
Gross receivables	23,435,736	9,904,521	2,352,877	35,693,134
Less: allowance	(286,951)	-	(41,516)	(328,467)
Net total receivables	$ 23,148,785	$ 9,904,521	$ 2,311,361	$ 35,364,667
Accrued interest receivable	$ 1,465,798	$ 653,511	$ 61,106	$ 2,180,415

The business-type activities accounts receivable includes unbilled charges for services rendered at September 30, 2024. The Water and Wastewater Fund also reported restricted interest receivables at year-end of $923,706.

At September 30, 2024, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions will be met by the corporations, the City has elected to expense the advance at the time of transfer. At September 30, 2024, accounts receivable includes $4,037,805 representing sales tax owed to MEDC. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2024.

At September 30, 2024, accounts receivable include $4,037,805 representing sales tax owed to MCDC. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2024.

At September 30, 2024, MHFC accounts receivable include $255,949 for services provided. Receivables as of year-end for MHFC were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2024.

Leases receivable - The City has entered into multiple lease agreements as lessor. The leases allow the right-to-use of land, hangar or office space, sports complexes, and cell sites to other organizations over the term of the lease. The City receives annual or monthly payments at the interest rate stated or implied within the leases. The interest rates for these leases are 4.00%. The City has $23,722,795 remaining in lease receivables and $22,289,355 remaining in deferred inflows as of September 30, 2024. MEDC has $538,422 remaining in lease receivables and $514,143 remaining in deferred inflows as of September 30, 2024. MCDC has $179,474 remaining in lease receivables and $171,381 remaining in deferred inflows as of September 30, 2024.

	Interest Rate	Receivable at Commencement	Lease Term in Years	Ending Balance
General Fund				
Sports complexes	4.00%	$ 10,249,980	2-19	$ 9,216,806
Land	4.00%	411,276	50	414,285
Cell sites	4.00%	5,134,276	10-20	4,563,012
Total governmental activities				$ 14,194,103
Airport Fund				
Land	4.00%	$ 2,762,432	20-27	$ 2,560,219
Hangar or office space	4.00%	10,625,538	3-8	6,968,473
Total business-type activities				$ 9,528,692
Component Units				
MEDC - Chamber sublease	4.00%	$ 603,993	10	$ 538,422
MCDC - Chamber sublease	4.00%	201,331	10	179,474
Total Component Units				$ 717,896

Capital Assets

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 94,957,249	$ 627,007	$ (2,012,577)	$ 85,347	$ 93,657,026
Works of art	1,054,170	6,000	-	-	1,060,170
Construction in progress	161,249,314	120,572,254	(19,590,606)	(26,793,561)	235,437,401
Total capital assets, not being depreciated	257,260,733	121,205,261	(21,603,183)	(26,708,214)	330,154,597
Capital assets being depreciated/amortized:					
Buildings	246,458,547	99,803		457,629	247,015,979
Right-to-use lease buildings	2,652,161	5,405,795	-	-	8,057,956
SBITA assets	1,332,010	144,305	-	-	1,476,315
Infrastructure	1,071,411,621	42,514,361	(37,829)	24,170,311	1,138,058,464
Machinery & equipment	81,531,630	5,303,697	(2,259,825)	2,080,274	86,655,776
Service animals	56,500	12,000	(15,000)		53,500
Total capital assets being depreciated/amortized	1,403,442,469	53,479,961	(2,312,654)	26,708,214	1,481,317,990
Less accumulated depreciation/amortization for:					
Buildings	(65,505,077)	(6,456,422)	-	-	(71,961,499)
Right-to-use lease buildings	(1,076,896)	(2,160,250)	-	-	(3,237,146)
SBITA assets	(666,005)	(714,107)	-	-	(1,380,112)
Infrastructure	(592,903,023)	(42,124,408)	37,829	-	(634,989,602)
Machinery and equipment	(52,672,913)	(6,840,533)	2,048,155	-	(57,465,291)
Service animals	(28,461)	(6,279)	15,000	-	(19,740)
Total accumulated depreciation/amortization	(712,852,375)	(58,301,999)	2,100,984	-	(769,053,390)
Total capital assets being depreciated/amortized, net	690,590,094	(4,822,038)	(211,670)	26,708,214	712,264,600
Governmental activities, capital assets, net	$ 947,850,827	$ 116,383,223	$ (21,814,853)	$ -	$ 1,042,419,197

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 54,357,286	$ -	$ (1,526,609)	$ 1,066,865	$ 53,897,542
Construction in progress	62,892,608	49,744,074	(2,065,036)	(40,853,831)	69,717,815
Total capital assets, not being depreciated	117,249,894	49,744,074	(3,591,645)	(39,786,966)	123,615,357
Capital assets being depreciated/amortized:					
Buildings	67,720,118	-	-	5,485,713	73,205,831
Infrastructure	730,389,217	49,287,924	(6,517)	22,579,627	802,250,251
Machinery & equipment	22,128,563	10,470,229	(473,122)	11,721,626	43,847,296
Right-to-use lease machinery & equipment	250,235	281,937	-	-	532,172
Total capital assets being depreciated/amortized	820,488,133	60,040,090	(479,639)	39,786,966	919,835,550
Less accumulated depreciation/amortization for:					
Buildings	(21,426,698)	(2,183,481)	-	-	(23,610,179)
Infrastructure	(195,837,913)	(16,720,993)	6,517	-	(212,552,389)
Machinery and equipment	(12,798,088)	(2,143,989)	450,082	-	(14,491,995)
Right-to-use lease machinery & equipment	(162,314)	(63,076)	-	-	(225,390)
Total accumulated depreciation/amortization	(230,225,013)	(21,111,539)	456,599	-	(250,879,953)
Total capital assets being depreciated/amortized, net	590,263,120	38,928,551	(23,040)	39,786,966	668,955,597
Business-type activities, capital assets, net	$ 707,513,014	$ 88,672,625	$ (3,614,685)	$ -	$ 792,570,954

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

Governmental Activities:		
APEX	$	924,842
Development		198,948
Fire		3,524,596
Fleet maintenance		50,812
General government		5,075,922
Libraries		677,078
Parks and recreation		6,995,512
Police		2,115,211
Public works		38,739,078
Total depreciation/amortization expense - governmental activities	$	58,301,999
Business-type activities:		
Airport		4,794,750
Golf Course		53,581
Solid Waste		186,739
Surface Water Drainage		421,055
Water and Wastewater		15,655,414
Total depreciation/amortization expense - business-type activities		21,111,539
Airport		
Amortization of excess cost of consideration		393,068
Total depreciation and amortization - business-type activities	$	21,504,607

Capital asset activity for discretely presented component units for the year ended September 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets, not being depreciated:					
Land	$ 66,893,335	$ -	$ (210,528)	$ -	$ 66,682,807
Total capital assets, not being depreciated	66,893,335	-	(210,528)	-	66,682,807
Capital assets, being depreciated/amortized:					
Buildings	190,561	-	-	-	190,561
Improvements other than buildings	255,508	-	-	-	255,508
Machinery and equipment	305,993	-	(7,050)	-	298,943
Right-to-use lease assets	2,058,211	-	-	-	2,058,211
Total capital assets being depreciated/amortized	2,810,273	-	(7,050)	-	2,803,223
Less accumulated depreciation/amortization for:					
Buildings	(20,644)	(19,056)	-	-	(39,700)
Improvements other than buildings	(255,508)	-	-	-	(255,508)
Machinery and equipment	(72,267)	(69,965)	7,050	-	(135,182)
Right-to-use lease assets	(85,759)	(205,821)	-	-	(291,580)
Total accumulated depreciation/amortization	(434,178)	(294,842)	7,050	-	(721,970)
Total capital assets being depreciated/amortized, net	2,376,095	(294,842)	-	-	2,081,253
Capital Assets, Net	$ 69,269,430	$ (294,842)	$ (210,528)	$ -	$ 68,764,060

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCDC:					
Capital Assets, not being depreciated:					
Land	$ 6,279,989	$ -	$ -	$ -	$ 6,279,989
Construction in progress	16,534,841	-	-	(16,534,841)	-
Total capital assets, not being depreciated	22,814,830	-	-	(16,534,841)	6,279,989
Capital assets, being depreciated/amortized:					
Buildings	15,875	2,124,885	-	16,534,841	18,675,601
Infrastructure	206,765	-	-	-	206,765
Right-to-use lease assets	686,070	-	-	-	686,070
Total capital assets being depreciated/amortized	908,710	2,124,885	-	16,534,841	19,568,436
Less accumulated depreciation/amortization for:					
Buildings	(1,720)	(40,462)	-	-	(42,182)
Infrastructure	(114,582)	(10,338)	-	-	(124,920)
Right-to-use lease assets	(28,586)	(68,607)	-	-	(97,193)
Total accumulated depreciation/amortization	(144,888)	(119,407)	-	-	(264,295)
Total capital assets being depreciated/amortized, net	763,822	2,005,478	-	16,534,841	19,304,141
Capital Assets, Net	$ 23,578,652	$ 2,005,478	$ -	$ -	$ 25,584,130

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCVB:					
Capital assets, being depreciated/amortized:					
Right-to-use lease assets	$ 559,199	$ -	$ -	$ -	$ 559,199
Total capital assets being depreciated/amortized	559,199	-	-	-	559,199
Less accumulated depreciation/amortization for:					
Right-to-use lease assets	(54,556)	(54,556)	-	-	(109,112)
Total accumulated depreciation/amortization	(54,556)	(54,556)	-	-	(109,112)
Total capital assets being depreciated/amortized, net	504,643	(54,556)	-	-	450,087
Capital Assets, Net	$ 504,643	$ (54,556)	$ -	$ -	$ 450,087

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MMS:					
Capital assets being depreciated:					
Infrastructure	$ 127,183	$ -	$ -	$ -	$ 127,183
Machinery & equipment	74,901	-	-	-	74,901
Total capital assets being depreciated	202,084	-	-	-	202,084
Less accumulated depreciation for:					
Infrastructure	(21,131)	(6,359)	-	-	(27,490)
Machinery and equipment	(59,875)	(6,499)	-	-	(66,374)
Total accumulated depreciation	(81,006)	(12,858)	-	-	(93,864)
Total capital assets being depreciated, net	121,078	(12,858)	-	-	108,220
Capital Assets, Net	$ 121,078	$ (12,858)	$ -	$ -	$ 108,220

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MHFC:					
Capital assets not being depreciated:					
Land	$ 5,471,638	$ -	$ -	$ -	$ 5,471,638
Total capital assets, not being depreciated	5,471,638	-	-	-	5,471,638
Capital Assets	$ 5,471,638	$ -	$ -	$ -	$ 5,471,638

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2024. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library, and stormwater construction. The commitment for Governmental Activities is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The Water/Wastewater and Airport commitments are being financed by revenue bonds, Certificates of Obligation Bonds, impact fees, developer contributions, and grants. The remaining commitment was for expenditures not yet incurred.

Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	$ 725,791,635	$ 384,656,205	$ 341,135,430
Water and Wastewater	276,784,606	77,083,126	199,701,480
Airport	122,117,584	58,085,541	64,032,043
Total	$ 1,124,693,825	$ 519,824,872	$ 604,868,953

Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2024, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 477,706	Franchise Fee Accrual
Water/Wastewater Fund	Solid Waste	15,829	Sanitation Billing Accrual
General Fund	Solid Waste	21,208	License Fee Accrual
General Fund	Non-Major Governmental Funds	51,300	To Cover Cash Shortage
	Total	$ 566,043	

Transfers between funds during the year were as follows:

	Transfers In						
Transfer Out	General Fund	Debt Service Fund	Capital Projects	Nonmajor Governmental Funds	Airport Fund	Nonmajor Enterprise Funds	Total
Internal service	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
Nonmajor enterprise funds	973,753	-	-	-	-	-	973,753
General fund	-	-	9,160,000	270,000	-	-	9,430,000
Capital projects fund	-	-	-	-	24,000,000	-	24,000,000
Airport fund	1,411,693	929,981	-	-	-	-	2,341,674
Nonmajor governmental funds	381,354	-	11,520,000	-	2,864,000	-	14,765,354
Water and wastewater	5,766,399	-	23,000,000	-	-	156,304	28,922,703
	$ 9,533,199	$ 929,981	$ 43,680,000	$ 270,000	$ 26,864,000	$ 156,304	$ 81,433,484

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- Move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of $5,766,399 were made from the water and wastewater fund, $1,000,000 from the internal service fund, and $1,411,693 from the airport fund to the general fund in order to supplement the general fund for monthly general and administrative fees as well as fund the capital equipment replacement fund, held within the general fund.
- Transfers of $9,160,000 were made from the general fund, $11,520,000 from the nonmajor governmental funds, and $23,000,000 from the water and wastewater fund to the capital projects fund for CIP projects.
- Transfers of $24,000,000 were made from the capital projects fund and $2,864,000 from nonmajor governmental funds to the airport fund for airport projects.

Note Receivable
In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of $800,000. In March 2011, City Council approved an increase to the existing loan of $261,000. The balance of the note as of September 30, 2024, is $358,274. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

In March 2017, City Council approved a loan from the solid waste fund to the airport fund. The loan was issued in the amount of $5,000,000. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028. As of September 30, 2024, the outstanding balance was $2,514,894.

Unavailable/Unearned Revenue

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

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Unavailable Revenue	Total Unearned Revenue
Tax revenue	$ 1,325,574	$ 621,777	$ -	$ -	$ 1,947,351	$ -
Court revenue	300,240	-	-	-	300,240	-
EMS revenue	1,836,614	-	-	-	1,836,614	-
Franchise fees	1,244,609	-	-	-	1,244,609	-
Miscellaneous	1,422,391	-	1,393,641	289,864	-	3,105,896
	$ 6,129,428	$ 621,777	$ 1,393,641	$ 289,864	$ 5,328,814	$ 3,105,896

Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2024, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 351,115,000	$ 121,540,000	$ (37,190,000)	$ 435,465,000	$ 36,385,000
Certificates of obligation	13,265,000	27,985,000	(1,405,000)	39,845,000	1,430,000
	364,380,000	149,525,000	(38,595,000)	475,310,000	37,815,000
Issuance premium	31,028,154	8,196,639	(4,326,097)	34,898,696	4,240,747
Total bonds payable	395,408,154	157,721,639	(42,921,097)	510,208,696	42,055,747
Arbitrage liability	1,142,661	2,293,218	-	3,435,879	-
Right-to-use lease liability	1,673,535	5,405,795	(2,036,149)	5,043,181	1,841,225
Subscription liability	679,064	144,305	(725,292)	98,077	48,077
Net pension liability	68,899,646	-	(10,611,516)	58,288,130	-
Total OPEB liability	16,222,756	1,218,323	-	17,441,079	-
Compensated absences	17,650,399	3,042,366	(1,258,459)	19,434,306	1,749,088
Governmental activities - long-term debt	$ 501,676,215	$ 169,825,646	$ (57,552,513)	$ 613,949,348	$ 45,694,137
Business-type activities:					
Bonds payable:					
Water and Wastewater revenue bonds	$ 238,345,000	$ 38,170,000	$ (10,435,000)	$ 266,080,000	$ 11,645,000
Issuance premium	27,355,939	3,655,967	(2,974,517)	28,037,389	3,044,390
Total bonds payable	265,700,939	41,825,967	(13,409,517)	294,117,389	14,689,390
Arbitrage liability	1,938,457	3,568,710	-	5,507,167	-
Right-to-use lease liability	91,452	281,937	(48,393)	324,996	74,761
Net pension liability	9,216,645	-	(1,419,494)	7,797,151	-
Total OPEB liability	1,888,467	130,000	-	2,018,467	-
Compensated absences	1,809,546	369,356	(135,186)	2,043,716	183,934
Business-type activities - long-term debt	$ 280,645,506	$ 46,175,970	$ (15,012,590)	$ 311,808,886	$ 14,948,085

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2024 is as follows:

MEDC:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Sales tax revenue bonds	$ 18,290,000	$ -	$ (2,190,000)	$ 16,100,000	$ 2,205,000
Right-to-use lease liability	1,996,576	-	(154,267)	1,842,309	165,629
Net pension liability	751,043	-	(115,671)	635,372	-
Total OPEB liability	153,887	10,593	-	164,480	-
Compensated absences	51,946	38,702	(1,429)	89,219	8,030
Component unit activities					
Long-term debt	$ 21,243,452	$ 49,295	$ (2,461,367)	$ 18,831,380	$ 2,378,659
MCDC:					
Bonds payable					
Sales tax revenue bonds	$ 16,210,000	$ -	$ (1,115,000)	$ 15,095,000	$ 1,145,000
Right-to-use lease liability	665,525	-	(51,422)	614,103	55,210
Net pension liability	192,548	-	(29,655)	162,893	-
Total OPEB liability	39,453	2,715	-	42,168	-
Compensated absences	58,463	7,738	-	66,201	5,958
Component unit activities					
Long-term debt	$ 17,165,989	$ 10,453	$ (1,196,077)	$ 15,980,365	$ 1,206,168
MCVB:					
Right-to-use lease liability	$ 522,199	$ -	$ (41,462)	$ 480,737	$ 43,152
Net pension liability	292,824	-	(45,099)	247,725	-
Total OPEB liability	59,999	4,130	-	64,129	-
Compensated absences	41,177	19,564	(7,251)	53,490	4,814
Component unit activities					
Long-term debt	$ 916,199	$ 23,694	$ (93,812)	$ 846,081	$ 47,966

Compensated Absences

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

General Obligation Bonds and Certificates of Obligation

The General Obligation Bonds include $475,310,000 of Bonds and Certificates of Obligation with interest rates ranging from 1.00% to 7.00% maturing annually in varying amounts through 2053. Interest for these obligations is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. The Certificates are additionally secured, by a limited pledge of certain net revenues of the City as specified in their official statements.

In November 2023, the City issued $24,260,000 Certificates of Obligation, Taxable Series 2023. The debt was issued for various public improvements. The bonds have interest rates ranging from 4.869% to 5.868% and mature through 2044.

In November 2023, the City issued $14,035,000 General Obligation Bonds, Series 2023A. The bonds were issued with a premium of $41,140,163 with interest rates at 5.00% and mature through 2044.

In November 2023, the City issued $29,910,000 General Obligation Bonds, Taxable Series 2023B. The bonds have interest rates ranging from 4.869% to 5.838% and mature through 2044.

In July 2024, the City issued $77,595,000 General Obligation Refunding and Improvement Bonds, Series 2024. The debt was issued for in order to refund the City's General Obligation and Refunding Bonds, Series 2014, and a portion for various streets, parks and public safety projects. The bonds were issued at a premium of $6,672,664 with interest rates ranging from 4.00% to 5.00% and mature through 2044. The refunding bond proceeds were used to purchase U.S. Government securities and these securities were placed in an irrevocable escrow account until the refunded bonds are redeemed. The City, in effect, decreased its aggregate debt service payments by $2,442,463 and resulted in an economic gain (difference between present values of the old and new debt service payment) of $180,259.

In July 2024, the City issued $3,725,000 Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2024. The debt was issued for various drainage system improvements. The bonds were issued at a premium of $383,812 with interest rates ranging from 4.00% to 5.00% and mature through 2044.

Debt service requirements of the general obligation bonds and certificates of obligation bonds for the years subsequent to September 30, 2024, are as follows:

	General Obligation Bonds			Certificates of Obligation			
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	Total GO and CO Requirements
2025	$ 36,385,000	$ 18,748,241	$ 55,133,241	$ 1,430,000	$ 1,844,018	$ 3,274,018	$ 58,407,259
2026	21,770,000	16,927,398	38,697,398	1,830,000	1,794,107	3,624,107	42,321,505
2027	22,860,000	15,935,644	38,795,644	2,355,000	1,729,586	4,084,586	42,880,230
2028	23,355,000	14,872,123	38,227,123	2,445,000	1,638,791	4,083,791	42,310,914
2029	25,250,000	13,781,441	39,031,441	1,590,000	1,544,156	3,134,156	42,165,597
2030-2034	118,150,000	53,237,912	171,387,912	8,975,000	6,685,988	15,660,988	187,048,900
2035-2039	108,950,000	29,183,972	138,133,972	10,335,000	4,546,819	14,881,819	153,015,791
2040-2044	72,195,000	9,742,912	81,937,912	10,885,000	1,851,029	12,736,029	94,673,941
2045-2049	3,845,000	1,040,494	4,885,494	-	-	-	4,885,494
2050-2052	2,705,000	226,256	2,931,256	-	-	-	2,931,256
	$ 435,465,000	$ 173,696,393	$ 609,161,393	$ 39,845,000	$ 21,634,494	$ 61,479,494	$ 670,640,887

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures. The City Charter does not prescribe a debt limit.

Revenue Bonds
The revenue bonds are serial obligations with interest rates ranging from 2.00% to 5.00%, maturing annually in varying amounts through years 2043 and interest is payable semi-annually. Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund and the Debt Service Reserve Fund established by the bond ordinances. The ordinances provide that the gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on revenue bonds was less than 40 percent of net revenues. The City is in compliance with the revenue bond debt covenants as of September 30, 2024. In July 2024, the City issued $38,170,000 Waterworks and Sewer System Revenue Bonds, Series 2024. The debt was issued for various water and sewer system improvements. The bonds were issued with a premium of $3,655,967 with interest rates ranging from 4.00% to 5.00% and mature through 2044.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2024, are as follows:

	Revenue Bonds		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements
2025	$ 11,645,000	$ 11,973,393	$ 23,618,393
2026	12,420,000	11,198,894	23,618,894
2027	13,030,000	10,589,119	23,619,119
2028	13,675,000	9,944,244	23,619,244
2029	13,735,000	9,287,844	23,022,844
2030-2034	74,950,000	36,072,125	111,022,125
2035-2039	81,750,000	17,744,866	99,494,866
2040-2043	44,875,000	3,658,900	48,533,900
	$ 266,080,000	$ 110,469,385	$ 376,549,385

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from 0.34% to 4.12%, maturing annually in varying amounts through 2035 and interest is payable semi-annually. These bonds are special obligations of the corporations payable from and secured by a lien on and pledge of the proceeds of the ¼ of the ½ cent sales and use tax levied within the City for the benefit of the respective component unit corporation.

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

Annual principal and interest requirements on sales tax revenue bonds for the Corporations were less than 15% of gross sales tax revenues. The Corporations are in compliance with the bond covenants as of September 30, 2024.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2024, are as follows:

	Sales Tax Revenue Bonds		
MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2025	$ 2,205,000	$ 261,680	$ 2,466,680
2026	2,230,000	238,527	2,468,527
2027	2,255,000	211,767	2,466,767
2028	2,290,000	178,393	2,468,393
2029	2,330,000	141,066	2,471,066
2030-2031	4,790,000	147,598	4,937,598
	$ 16,100,000	$ 1,179,031	$ 17,279,031

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2025	$ 1,145,000	$ 572,867	$ 1,717,867
2026	1,180,000	537,589	1,717,589
2027	1,220,000	498,873	1,718,873
2028	1,260,000	457,015	1,717,015
2029	1,305,000	412,525	1,717,525
2030-2034	7,335,000	1,266,015	8,601,015
2035	1,650,000	68,030	1,718,030
	$ 15,095,000	$ 3,812,914	$ 18,907,914

Conduit Debt
The McKinney Housing Finance Corporation (MHFC) issued conduit debt for purposes of low income housing development in the City of McKinney. Neither the City nor the MHFC has any obligation for such debt beyond the resources provided by a lease or loan with the third party. As of September 30, 2024, the aggregate outstanding conduit debt is $126,020,633.

Right-to-Use Lease Liability

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

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

	Interest Rate	Liability at Commencement	Lease Term in Years	Ending Balance
Governmental activities				
Leased office space	4.00%	$ 2,818,766	3.0-10.0	$ 1,326,417
Equipment	4.00%	5,239,190	3.0-5.0	3,716,764
Total governmental activities				$ 5,043,181
Business-type activities				
Vehicles	4.00%	$ 532,172	3.0	$ 324,996
Total business-type activities				$ 324,996
Component units				
Leased office space	4.00%	$ 3,303,480	10.0	$ 2,937,149
Total component units				$ 2,937,149

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

Fiscal Year Ending	Principal	Interest	Total
2025	$ 1,841,225	$ 218,781	$ 2,060,006
2026	1,330,069	150,029	1,480,098
2027	1,108,877	99,604	1,208,481
2028	763,010	63,602	826,612
Total governmental activities	$ 5,043,181	$ 532,016	$ 5,575,197

Fiscal Year Ending	Principal	Interest	Total
2025	$ 74,761	$ 11,639	$ 86,400
2026	77,807	8,593	86,400
2027	80,977	5,423	86,400
2028	84,275	2,124	86,399
2029	7,176	24	7,200
Total business-type activities	$ 324,996	$ 27,803	$ 352,799

Fiscal Year Ending	Principal	Interest	Total
2025	$ 263,991	$ 239,282	$ 503,273
2026	286,074	101,774	387,848
2027	306,050	89,945	395,995
2028	325,287	77,353	402,640
2029	348,656	63,933	412,589
Thereafter	1,407,091	105,059	1,512,150
Total component units	$ 2,937,149	$ 677,346	$ 3,614,495

The value of the right-to-use assets for governmental activities as of the end of the current fiscal year was $8,057,956 and had accumulated amortization of $3,237,146. For business-type activities, the value of the right-to-use assets as of the end of the current fiscal year was $532,172 and had accumulated amortization of $225,390. For component units, the value of the right-to-use assets as of the end of the current fiscal year was $3,303,480 and had accumulated amortization of $497,885.

Subscription Based Information Technology Arrangements (SBITA)

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

	Interest Rate(s)	Liability at Commencement	SBITA Term in Years	Ending Balance
Governmental activities				
Software	4.00%	$ 144,305	3	$ 98,077
Total governmental activities				$ 98,077

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

Fiscal Year Ending	Principal	Interest	Total
2025	$ 48,077	$ 3,923	$ 52,000
2026	50,000	2,000	52,000
Total governmental activities	$ 98,077	$ 5,923	$ 104,000

The value of the subscription assets as of the end of the current fiscal year was $1,476,315 and had accumulated amortization of $1,380,112.

Restricted Assets

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

Purpose	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds:			
Utility Capital Projects Fund	$ 225,734,862	$ 678,482	$ 226,413,344
Utility Development Impact Fee	4,014,734	-	4,014,734
Revenue Debt Service Fund	12,912,348	22,204	12,934,552
Revenue Bond Reserve Fund	19,006,838	223,021	19,229,859
Airport Funds:			
Airport Construction Fund	58,501,928	653,511	59,155,439
Golf Course Fund	10,000	-	10,000
	$ 320,180,710	$ 1,577,218	$ 321,757,928

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, 2024, net position is sufficient to satisfy such bond ordinance requirements.

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

Note 4. Deferred Compensation Plan

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

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

Note 5. Pension Plan

Plan Description

The City and three of its component units participate as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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

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

Employees Covered by Benefit Terms:

At the December 31, 2023, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	462
Inactive employees entitled to but not yet receiving benefits	742
Active employees	1,310
	2,514

Contributions

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 15.48% and 15.09% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were $18,344,762, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35%	6.70%
Core fixed income	6%	4.70%
Non-core fixed income	20%	8.00%
Other public and private markets	12%	8.00%
Real estate	12%	7.60%
Hedge funds	5%	6.40%
Private equity	10%	11.60%
	100%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2022	$ 441,074,411	$ 361,721,705	$ 79,352,706
Changes for the year:			
Service cost	20,981,998	-	20,981,998
Interest on total pension liability	30,060,630	-	30,060,630
Effect of difference in expected and actual experience	3,906,542	-	3,906,542
Change in assumptions	(332,199)	-	(332,199)
Benefit payments	(12,445,501)	(12,445,501)	-
Administrative expenses	-	(266,337)	266,337
Member contributions	-	7,952,030	(7,952,030)
Net investment income	-	41,997,798	(41,997,798)
Employer contributions	-	17,156,776	(17,156,776)
Other	-	(1,861)	1,861
Balances as of December 31, 2023	$ 483,245,881	$ 416,114,610	$ 67,131,271
City	$ 475,716,301	$ 409,631,020	$ 66,085,281
Component Units	$ 7,529,580	$ 6,483,590	$ 1,045,990

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

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

The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 140,296,804	$ 66,085,281	$ 5,594,730
Component unit's net pension liability:			
MEDC	1,348,873	635,372	53,790
MCDC	345,816	162,893	13,790
MCVB	525,911	247,725	20,972

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City and its component units recognized pension expense of $19,937,216 and $315,564, respectively.

At September 30, 2024, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,667,354	$ (54,079)	$ 92,946	$ (520)
Changes in assumptions	250,560	(269,142)	2,409	(2,588)
Differences between projected and actual investment earnings	9,008,201	-	86,609	-
Contributions subsequent to the measurement date	13,946,908	-	134,092	-
Total	$ 32,873,023	$ (323,221)	$ 316,056	$ (3,108)

	MCDC				MCVB			
	Deferred Outflows of Resources		Deferred Inflows of Resources		Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	23,829	$	(133)	$	36,239	$	(203)
Changes in assumptions		618		(663)		939		(1,009)
Differences between projected and actual investment earnings		22,204		-		33,768		-
Contributions subsequent to the measurement date		34,378		-		52,281		-
Total	$	81,029	$	(796)	$	123,227	$	(1,212)

$13,946,908 and $220,751 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date for the City and its component units, respectively, will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2025.

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

Year Ended September 30	Primary Government		MEDC		MCDC		MCVB	
2025	$	5,382,714	$	51,752	$	13,268	$	20,177
2026		5,705,196		54,852		14,063		21,386
2027		9,204,186		88,493		22,687		34,502
2028		(2,094,004)		(20,133)		(5,161)		(7,849)
2029		404,802		3,892		998		1,518
Thereafter		-		-		-		-
Total	$	18,602,894	$	178,856	$	45,855	$	69,734

Note 6. Postemployment Benefits Other Than Pensions

Retiree Health Care Plan

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

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

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

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and
2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and
3. Enrolls for Retiree health coverage no later than the effective date of retirement.

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

As of December 31, 2023, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	18
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	1,278
Total	1,296

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

Funding Policies
The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was $1,170,347 and $18,524 respectively.

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

CITYCARE PPO		CITYCARE PLUS PPO	
Single Coverage	$ 809	Single Coverage	$ 893
Single + Spouse	1,680	Single + Spouse	1,976
Single + Children	1,485	Single + Children	1,733
Single + Family	2,211	Single + Family	2,582

Actuarial Methods and Assumptions
Significant methods and assumptions used in the December 31, 2023, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.77% as of December 31, 2023
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Demographic Assumption	Based on the experience study covering the four-year period ending December 31, 2018, as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years.
Participation Rates	0% for employees retiring before the age of 50; 15% for employees retiring between the ages of 50 and 55; 50% for employees retiring at the age of 55 or older, or through disability retirement at any age
Other Information	The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. Additionally, the period of service used for the allocation of service costs was changed to only reflect service with the City of McKinney.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Total OPEB Liability

The total OPEB liability of $17,107,650 (City) and $270,777 (Component Units) was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2023.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2024:

Balance as of December 31, 2022	$ 16,259,176
Changes for the year:	
Service cost	1,468,587
Interest on total OPEB liability	687,386
Difference between expected and actual experience of the total OPEB liability	(235,787)
Change of assumptions	(758,971)
Benefit payments	(41,964)
Balance as of December 31, 2023	$ 17,378,427
City	$ 17,107,650
Component Units	$ 270,777

Although not considered contributions under GASB 75, the City has assigned $14,918,758 of fund balance in the General Fund for funding of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources Related to OPEBs
For the year ended September 30, 2024, the City and its component units recognized OPEB expense of $1,188,871. At September 30, 2024, the City and its component units reported deferred outflows of resources related to OPEBs from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 127,856	$ (6,098,833)	$ 1,229	$ (58,637)
Changes in assumptions	2,268,937	(4,739,546)	21,815	(45,568)
Contributions subsequent to the measurement date	36,694	-	353	-
Total	$ 2,433,487	$ (10,838,379)	$ 23,397	$ (104,205)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 316	$ (15,033)	$ 479	$ (22,862)
Changes in assumptions	5,593	(11,682)	8,505	(17,766)
Contributions subsequent to the measurement date	90	-	138	-
Total	$ 5,999	$ (26,715)	$ 9,122	$ (40,628)

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of $36,694 and $581 will be recognized as a reduction of the total OPEB liability of the City and its component units, respectively, for the year ending September 30, 2025.

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

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2025	$ (952,024)	$ (9,153)	$ (2,347)	$ (3,569)
2026	(952,024)	(9,153)	(2,347)	(3,569)
2027	(952,024)	(9,153)	(2,347)	(3,569)
2028	(971,156)	(9,337)	(2,394)	(3,640)
2029	(1,046,407)	(10,061)	(2,579)	(3,923)
Thereafter	(3,567,951)	(34,304)	(8,792)	(13,374)
Total	$ (8,441,586)	$ (81,161)	$ (20,806)	$ (31,644)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City and its component units, calculated using the discount rate of 3.77%, as well as what the City and its component unit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 18,790,666	$ 17,107,650	$ 15,587,823
Component unit's total OPEB liability:			
MEDC	180,661	164,480	149,868
MCDC	46,317	42,168	38,422
MCVB	70,438	64,129	58,432

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

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
City's total OPEB liability	$ 14,969,621	$ 17,107,650	$ 19,653,485
Component unit's total OPEB liability:			
MEDC	143,924	164,480	188,957
MCDC	36,898	42,168	48,444
MCVB	56,115	64,129	73,672

Supplemental Death Benefit Plan

Plan Description
The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

As of December 31, 2023, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	318
Terminated employees eligible for benefits, but not yet enrolled	163
Active employees	1,310
Total	1,791

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

Actuarial Methods and Assumptions
Significant methods and assumptions used in the December 31, 2023, actuarial valuation are as follows:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	3.77% as of December 31, 2023 Source: Fidelity Index's "20-Year Municipal GO AA Index"
Retirees' share of benefit related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2018 to December 31, 2022.

Total OPEB Liability
The City's total OPEB liability of $2,351,896 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows for the City at September 30, 2024:

Balance as of December 31, 2022	$ 2,105,386
Changes for the year:	
Service cost	124,960
Interest on total OPEB liability	86,879
Difference between expected and actual experience of the total OPEB liability	(35,618)
Change of assumptions	115,729
Benefit payments	(45,440)
Balance as of December 31, 2023	$ 2,351,896

OPEB Expense and Deferred and Outflows and Inflows of Resources Related to OPEB
For the year ended September 30, 2024, the City recognized OPEB expense of $143,969.

At September 30, 2024, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 84,344	$ (305,512)
Changes in assumptions	573,472	(969,217)
Contributions subsequent to the measurement date	192,393	-
Total	$ 850,209	$ (1,274,729)

Benefit payments subsequent to the measurement date and before fiscal year-end of $192,393 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2025.

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

Year Ended September 30	
2025	$ (67,869)
2026	(81,234)
2027	(100,171)
2028	(105,225)
2029	(140,222)
Thereafter	(122,192)
Total	$ (616,913)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB liability	$ 2,870,774	$ 2,351,896	$ 1,950,276

Note 7. Disclosures about Fair Value of Assets

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

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

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

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

Investment in State Investment Pools

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PRIMARY GOVERNMENT				
Investments by Fair Value Level				
Federal agency securities	$ 336,189,701	$ -	$ 336,189,701	$ -
Total Investments by Fair Value Level	$ 336,189,701	$ -	$ 336,189,701	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 180,522,643			
TexasDAILY	108,458,737			
TexasCLASS	119,083,491			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	226,237,528			
Total Investments	$ 970,492,100			
MEDC				
Investments by Fair Value Level				
Federal agency securities	$ 13,918,590	$ -	$ 13,918,590	$ -
Total Investments by Fair Value Level	$ 13,918,590	$ -	$ 13,918,590	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 12,422,324			
TexasDAILY	1,740,517			
TexasCLASS	539,306			
Investments Measured at Amortized Cost				
TexPool Prime	8,007,303			
Total Investments	$ 36,628,040			
MCDC				
Investments by Fair Value Level				
Federal agency securities	$ 47,851,860	$ -	$ 47,851,860	$ -
Total Investments by Fair Value Level	$ 47,851,860	$ -	$ 47,851,860	$ -
Investments Measured at Net Asset Value				
LOGIC	$ 24,215,901			
TexasDAILY	196,784			
Investments Measured at Amortized Cost				
TexPool Prime	2,072,588			
Total Investments	$ 74,337,133			

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2024, no investments held by the City met the Level 3 hierarchy classification.

Note 8. Water Purchase, Wastewater and Solid Waste Disposal Contracts

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2024, were $45,363,949.

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, 2024, was $32,242,401.

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, 2024, was $6,042,952.

Note 9. Litigation

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

Note 10. Contingent Liabilities

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

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have guaranteed to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city’s pro-rata usage of the respective systems.

Outstanding principal balances as of September 30, 2024, are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	$ 2,859,180,000	$ 347,994,655
Wastewater System	1,296,700,000	270,026,952
Solid Waste System	70,675,000	16,252,358
Total	$ 4,226,555,000	$ 634,273,965

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

Note 11. Insurance and Risk Management

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

The City provides health care benefits to City employees under a partially self-insured plan (Plan). Under the Plan, the city and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan, and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess (stop loss) insurance policy covering individual claims in excess of $200,000. The City utilizes Cigna as a third party administrator to adjudicate and pay medical claims on behalf the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City of claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2024, the City and the City's employees' contributions paid under the Plan were $20,958,584 and $3,323,639 respectively.

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

The City has a workers' compensation deductible of $25,000 per accident, with an annual aggregate retention of $757,620 During 2024, the City Contributed $1,806,210 for workers' compensation coverage.

The City maintains deductibles of $100,000 per occurrence for Error and Omissions, $50,000 per occurrence for Auto Liability, $50,000 per occurrence for Law Enforcement Liability and up to $25,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through Chubb Limited with a $10,000 deductible. During 2024, the City contributed $3,064,489 for property, general liability and all other coverage premiums.

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims and are included in accounts payable.

The changes in the Insurance and Risk Management liability amount in fiscal 2024 and 2023 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2024:				
Health Claims	$ 768,780	$ 21,860,834	$ (21,873,906)	$ 755,708
Workers' Comp	108,527	1,193,173	(818,377)	483,323
Totals	$ 877,307	$ 23,054,007	$ (22,692,283)	$ 1,239,031
2023:				
Health Claims	$ 780,437	$ 19,774,468	$ (19,786,125)	$ 768,780
Workers' Comp	47,155	1,413,011	(1,351,639)	108,527
Totals	$ 827,592	$ 21,187,479	$ (21,137,764)	$ 877,307

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

Note 12. Tax Abatements and Grants

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

For the fiscal year ended September 30, 2024, the City paid $4,241,625 in economic development grants under Chapter 380. This amount is reported in aggregate due to sales tax confidentiality requirements under Texas Tax Code. No tax abatements were made under Chapter 312.

Note 13. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2024, and through February 26, 2024, the date the financial statements were issued. In October 2024, the MEDC sold land and entered into a forgivable loan with the developer.

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