PRELIMINARY OFFICIAL STATEMENT
Dated May 5, 2025

NEW ISSUES – Book-Entry-Only

Ratings:
Moody's: "Aaa"
S&P: "AAA"
(See "OTHER PERTINENT INFORMATION – Ratings" herein)

In the opinion of Bond Counsel, interest on the 2025A Bonds (defined below), will be excludable from the gross income of the owners thereof for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS – OBLIGATIONS".

$35,510,000*
CITY OF McKINNEY, TEXAS
(Collin County)
General Obligation Bonds, Series 2025A

Dated Date: June 18, 2025
Interest Accrual Date: Date of Delivery

Due: August 15, as show on page ii

Payment Terms . . . Interest on the $35,510,000* General Obligation Bonds, Series 2025A (the "2025A Bonds") will accrue from the Date of Delivery (as hereinafter defined) and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive 2025A Bonds are initially issuable only to Cede and Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2025A Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the 2025A Bonds will be made to the purchasers thereof**. Principal of and interest on the 2025A Bonds will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"), to Cede & Co., as nominee of DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payment to the beneficial owners of the 2025A Bonds (See "BOOK-ENTRY-ONLY-SYSTEM" herein).

Authority for Issuance . . . The 2025A Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1331 and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on March 18, 2025.

In the Bond Ordinance, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the 2025A Bonds, and to establish certain terms related to the issuance and sale of the 2025A Bonds. The terms of sale will be included in the "2025A Bond Pricing Certificate" which will be executed by a Pricing Officer and will complete the sale of the 2025A Bonds (the Bond Ordinance as supplemented by the 2025A Bond Pricing Certificate, and together with the 2025B Bond Pricing Certificate, the Certificate Ordinance and the Certificate Pricing Certificate (as these terms are hereinafter defined) is referred to herein as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Security . . . The 2025A Bonds are direct obligations of the City, payable from an annual ad valorem tax, within the limits prescribed by law, levied on all taxable property within the City as provided in the Bond Ordinance. (See "SECURITY" herein.)

Purpose . . . Proceeds from the sale of the 2025A Bonds will be used to pay contractual obligations associated with the following: (1) acquiring, constructing, improving, expanding, and equipping public safety facilities, including any needed land and rights-of-way therefor; (2) designing, acquiring, developing, constructing, expanding, improving and equipping parks, recreational facilities, and open space improvements, including improvements to Towne Lake Park and the Gabe Nesbitt softball/baseball fields, a new multigenerational recreation center, and new sports courts, and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; (3) designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, roads, and intersections, including thoroughfares, alleys, sidewalks, bridges, screening walls, streetscape, entryway signs beautification and other public ways, participation in joint projects with federal, state, and local public entities and agencies, accessibility improvements, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility replacement and relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; and (4) the payment of costs of issuance of the 2025A Bonds (See "THE OBLIGATIONS – Purposes of the Obligations").

Maturity Schedule on Inside Cover Page

Separate Issues . . . The 2025A Bonds are being offered by the City concurrently with its $26,795,000* General Obligation Refunding Bonds, Series 2025B (the "2025B Bonds") and its $28,140,000* Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 (the "Certificates"), under a common Preliminary Official Statement. The 2025A Bonds, the 2025B Bonds, and the Certificates are hereinafter sometimes collectively referred to as the "Obligations". The 2025A Bonds, 2025B Bonds, and the Certificates are separate and distinct securities offerings being issued and sold independently except for this common Preliminary Official Statement, and while the Obligations share certain common attributes, each issue is separate from, and is not contingent on the issuance of the other, and should be reviewed and analyzed independently, including its terms for payment, the security for its payment, the rights of holders, the tax status of its interest, and various other features.

Legality . . . The 2025A Bonds are offered for delivery when, as and if issued, and received by the initial purchaser (the "2025A Bond Purchaser") and subject to the approving opinion 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, "Forms of Legal Opinions of Bond Counsel").

The Obligations are expected to be available for initial delivery through the facilities of DTC on or about June 18, 2025 (the "Date of Delivery").

BIDS DUE WEDNESDAY, MAY 21, 2025 AT 9:30 AM CDT

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* Preliminary, subject to change.

$35,510,000*
General Obligation Bonds, Series 2025A

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

Base CUSIP [(1)] No.: 58178C

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP Suffix [(1)]
2026	17,440,000			
2027	590,000			
2028	620,000			
2029	650,000			
2030	685,000			
2031	720,000			
2032	755,000			
2033	795,000			
2034	835,000			
2035	875,000			
2036	920,000			
2037	965,000			
2038	1,010,000			
2039	1,065,000			
2040	1,115,000			
2041	1,170,000			
2042	1,230,000			
2043	1,290,000			
2044	1,355,000			
2045	1,425,000			

(Interest to accrue from the Date of Delivery)

The City reserves the right to redeem the 2025A Bonds maturing on and after August 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE OBLIGATIONS – Optional Redemption Provisions" herein.) The 2025A Bonds may be subject to mandatory sinking fund redemption in the event the 2025A Bond Purchaser elects to aggregate two or more of the maturities as a term bond. (See "THE OBLIGATIONS – 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 2025A 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 2025A Bond Purchaser or their agents or counsel are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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PRELIMINARY OFFICIAL STATEMENT
Dated May 5, 2025

NEW ISSUES – Book-Entry-Only

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

In the opinion of Bond Counsel, interest on the 2025B Bonds (defined below), will be excludable from the gross income of the owners thereof for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS – OBLIGATIONS".

$26,795,000*
CITY OF McKINNEY, TEXAS
(Collin County)
General Obligation Refunding Bonds, Series 2025B

Dated Date: June 18, 2025
Interest Accrual Date: Date of Delivery

Due: August 15, as show on page ii

Payment Terms . . . Interest on the $26,795,000* General Obligation Refunding Bonds, Series 2025B (the "2025B Bonds") will accrue from the Date of Delivery (as hereinafter defined) and will be payable on February 15 and August 15 of each year, commencing August 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 2025B Bonds are initially issuable only to Cede and Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the 2025B Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the 2025B Bonds will be made to the purchasers thereof**. Principal of and interest on the 2025B Bonds will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"), to Cede & Co., as nominee of DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payment to the beneficial owners of the 2025B Bonds (See "BOOK-ENTRY-ONLY-SYSTEM" herein).

Authority for Issuance . . . The 2025B Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1207 and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on March 18, 2025.

In the Bond Ordinance, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the 2025B Bonds, and to establish certain terms related to the issuance and sale of the 2025B Bonds. The terms of sale will be included in the "2025B Bond Pricing Certificate" which will be executed by a Pricing Officer and will complete the sale of the 2025B Bonds (the Bond Ordinance as supplemented by the 2025B Bond Pricing Certificate, and together with the 2025A Bond Pricing Certificate, the Certificate Ordinance and the Certificate Pricing Certificate (as these terms are hereinafter defined) is referred to herein as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Security . . . The 2025B Bonds are direct obligations of the City, payable from an annual ad valorem tax, within the limits prescribed by law, levied on all taxable property within the City as provided in the Bond Ordinance. (See "SECURITY" herein.)

Purpose . . . Proceeds from the sale of the 2025B Bonds will be used to pay contractual obligations associated with the following: (1) refunding the City's General Obligation Bonds, Series 2015; (2) the payment of costs of issuance of the 2025B Bonds (See "THE OBLIGATIONS – Purposes of the Obligations" and Schedule I for a detailed listing of the Refunded Bonds).

Maturity Schedule on Inside Cover Page

Separate Issues . . . The 2025B Bonds are being offered by the City concurrently with its $35,510,000* General Obligation Bonds, Series 2025A (the "2025A Bonds") and its $28,140,000* Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 (the "Certificates"), under a common Preliminary Official Statement. The 2025A Bonds, the 2025B Bonds, and the Certificates are hereinafter sometimes collectively referred to as the "Obligations". The 2025A Bonds, 2025B Bonds, and the Certificates are separate and distinct securities offerings being issued and sold independently except for this common Preliminary Official Statement, and while the Obligations share certain common attributes, each issue is separate from, and is not contingent on the issuance of the other, and should be reviewed and analyzed independently, including its terms for payment, the security for its payment, the rights of holders, the tax status of its interest, and various other features.

Legality . . . The 2025B Bonds are offered for delivery when, as and if issued, and received by the initial purchaser (the "2025B Bond Purchaser") and subject to the approving opinion 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, "Forms of Legal Opinions of Bond Counsel").

The Obligations are expected to be available for initial delivery through the facilities of DTC on or about June 18, 2025 (the "Date of Delivery").

BIDS DUE WEDNESDAY, MAY 21, 2025 AT 10:00 AM CDT

* Preliminary, subject to change.

$26,795,000*
General Obligation Refunding Bonds, Series 2025B

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

Base CUSIP [1] No.: 58178C

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP Suffix [1]
2025	$ 490,000			
2026	2,090,000			
2027	2,200,000			
2028	2,305,000			
2029	2,420,000			
2030	2,540,000			
2031	2,670,000			
2032	2,805,000			
2033	2,940,000			
2034	3,090,000			
2035	3,245,000			

(Interest to accrue from the Date of Delivery)

The 2025B Bonds may be subject to mandatory sinking fund redemption in the event the 2025B Bond Purchaser elects to aggregate two or more of the maturities as a term bond. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption.")

The 2025B Bonds are not subject to optional redemption by the City.

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* Preliminary, subject to change.

(1) CUSIP numbers are included solely for the convenience of owners of the 2025B 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 2025B Bond Purchaser or their agents or counsel are responsible for the selection or correctness of the CUSIP numbers set forth herein.

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NEW ISSUES – Book-Entry-Only

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

In the opinion of Bond Counsel, interest on the Certificates (defined below) will be excludable from the gross income of the owners thereof for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS – OBLIGATIONS".

$28,140,000*
CITY OF McKINNEY, TEXAS
(Collin County)
Tax and Limited Pledge Waterworks and Sewer System
Revenue Certificates of Obligation, Series 2025

Dated Date: June 18, 2025
Interest Accrual Date: Date of Delivery

Due: August 15, as shown on pages v

Payment Terms . . . Interest on the $28,140,000* Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates are initially issuable only to Cede and Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the purchasers thereof**. Principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"), to Cede & Co., as nominee of DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payment to the beneficial owners of the Certificates (See "BOOK-ENTRY-ONLY-SYSTEM" herein).

Authority for Issuance . . . The Certificates are being issued pursuant to the Constitution and laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Certificate Ordinance") adopted by the City Council on March 18, 2025.

In the Certificate Ordinance, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the Certificates, and to establish certain terms related to the issuance and sale of the Certificates. The terms of each sale will be included in the "Certificate Pricing Certificate" relating to the sale of the Certificates which will be executed by a Pricing Officer and will complete the sale of the Certificates (the Certificate Ordinance as supplemented by the Certificate Pricing Certificate, and together with the Bond Ordinance, the 2025A Bond Pricing Certificate and the 2025B Bond Pricing Certificate, is referred to herein as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Security . . . The Certificates are payable from annual ad valorem taxes levied against all taxable property in the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates (See "THE OBLIGATIONS – Tax Rate Limitations" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). The Certificates are additionally payable from a limited pledge not to exceed $1,000 derived from net revenues of the City's waterworks and sewer system.

Purpose . . . Proceeds from the sale of the Certificates will be used to pay contractual obligations associated with the following: (1) renovating, improving and equipping existing library facilities; (2) renovating, improving and equipping the City's existing performing arts civic center; and (3) professional services rendered in relation to such projects and the financing thereof. (See "THE OBLIGATIONS – Purposes of the Obligations").

Maturity Schedule on Next Page

Separate Issues . . . The Certificates are being offered by the City concurrently with its $35,510,000* General Obligation Bonds, Series 2025A (the "2025A Bonds") and its General Obligation Refunding Bonds, Series 2025B (the "2025B Bonds"), under a common Preliminary Official Statement. The 2025A Bonds, the 2025B Bonds, and the Certificates are hereinafter sometimes collectively referred to as the "Obligations". The 2025A Bonds, the 2025B Bonds, and the Certificates are separate and distinct securities offerings being issued and sold independently except for this common Preliminary Official Statement, and while the Obligations share certain common attributes, each issue is separate from, and is not contingent on the issuance of the other, and should be reviewed and analyzed independently, including its terms for payment, the security for its payment, the rights of holders, the tax status of its interest, and various other features.

Legality . . . The Certificates are offered for delivery when, as and if issued, and received by the initial purchaser of the Certificates ("Certificate Purchaser") and subject to the approving opinion 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, "Forms of Legal Opinions of Bond Counsel").

The Obligations are expected to be available for initial delivery through the facilities of DTC on or about June 18, 2025 (the "Date of Delivery").

BIDS DUE WEDNESDAY, MAY 21, 2025 AT 11:00 AM CDT

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* Preliminary, subject to change.

$28,140,000*
Tax and Limited Pledge Waterwork and Sewer System Certificates of Obligation, Series 2025

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

Base CUSIP [(1)] No.: 58178C

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP Suffix [(1)]
2026	645,000			
2027	900,000			
2028	945,000			
2029	995,000			
2030	1,045,000			
2031	1,095,000			
2032	1,150,000			
2033	1,205,000			
2034	1,265,000			
2035	1,330,000			
2036	1,395,000			
2037	1,465,000			
2038	1,540,000			
2039	1,615,000			
2040	1,700,000			
2041	1,785,000			
2042	1,870,000			
2043	1,965,000			
2044	2,065,000			
2045	2,165,000			

(Interest to accrue from the Date of Delivery)

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

* Preliminary, subject to change.

(1) CUSIP numbers are included solely for the convenience of owners of the Certificates. 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 Certificate Purchaser or their agents or counsel are 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

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 Street
Suite 2100, South Tower
Dallas, TX 75201
(214) 658-1670

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

No dealer, broker, salesperson, or other person has been authorized to give any 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 Issuer or the initial purchasers.

This Official Statement, which includes the cover page, Appendices, and Schedule I 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.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. 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.

THE OBLIGATIONS 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 OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE INITIAL PURCHASERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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.

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 appendices and schedules hereto, to obtain information essential to making an informed investment decision.

TABLE OF CONTENTS

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 Obligations 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 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 Obligations .... Interest on the $35,510,000* General Obligation Improvement Bonds, Series 2025A (the "2025A Bonds") and the $28,140,000* Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the $26,795,000 General Obligation Refunding Bonds, Series 2025B (the "2025B Bonds") will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing August 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The 2025A Bonds, the 2025B Bonds, and the Certificates are collectively referred to herein as the "Obligations."

Authority for Issuance .... The 2025A Bonds and 2025B Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including, as applicable, Chapters 1207, 1331, and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing issuance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on March 18, 2025.

The Certificates are being issued pursuant to the Constitution and laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Certificate Ordinance") adopted by the City Council on March 18, 2025.

The Bond Ordinance and the Certificate Ordinance are collectively referred to herein as the "Ordinances." In the respective Ordinances, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the Obligations, and to establish certain terms related to the issuance and sale of the Obligations. The terms of each sale will be included in the "Pricing Certificate" relating to each series of the Obligations which will be executed by a Pricing Officer and will complete the sale of the Obligations (the respective Ordinances as each supplemented by the Pricing Certificate, are referred to herein as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Paying Agent/Registrar .... The initial Paying Agent/Registrar for the Obligations is BOKF, NA, Dallas, Texas.

Security .... The Obligations are direct obligations of the City, payable from an annual ad valorem tax, within the limits prescribed by law, levied on all taxable property within the City as provided in the Ordinances. (See "SECURITY" herein.)

The Obligations are payable from annual ad valorem taxes levied against all taxable property in the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Obligations (See "THE OBLIGATIONS – Tax Rate Limitations" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). The Certificates are additionally payable from a limited pledge not to exceed $1,000 derived from the net revenues from the City's waterworks and sewer system.

* Preliminary, subject to change.

Redemption .... The City reserves the right to redeem the 2025A Bonds and the Certificates maturing on and after August 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE OBLIGATIONS – Optional Redemption Provisions" herein.) The Obligations may be subject to mandatory sinking fund redemption in the event the 2025A Bond Purchaser, the 2025B Bond Purchaser, or Certificate Purchaser elects to aggregate two or more of the maturities as a term Obligation. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption.")

The 2025B Bonds are not subject to optional redemption.

Tax Matters .... Interest on the Obligations is excludable from the gross income of the owners thereof for federal income tax purposes, subject to the matters described under "TAX MATTERS – OBLIGATIONS" herein.

Book-Entry-Only System .... The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), described herein. No physical delivery of the Obligations will be made to the beneficial owners of the Obligations. Such Book-Entry-Only System may affect the method and timing of payments on the Obligations and the manner in which the Obligations may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Use of Proceeds .... Proceeds from the sale of the 2025A Bonds will be used to pay contractual obligations associated with the following: (1) acquiring, constructing, improving, expanding, and equipping public safety facilities, including any needed land and rights-of-way therefor; (2) designing, acquiring, developing, constructing, expanding, improving and equipping parks, recreational facilities, and open space improvements, including improvements to Towne Lake Park and the Gabe Nesbitt softball/baseball fields, a new multigenerational recreation center, and new sports courts, and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; (3) designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, roads, and intersections, including thoroughfares, alleys, sidewalks, bridges, screening walls, streetscape, entryway signs beautification and other public ways, participation in joint projects with federal, state, and local public entities and agencies, accessibility improvements, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility replacement and relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; and (4) the payment of costs of issuance of the 2025A Bonds (See "THE OBLIGATIONS – Purposes of the Obligations").

Proceeds from the sale of the 2025B Bonds will be used to pay contractual obligations associated with the following: (1) refunding the City's General Obligation Bonds, Series 2015 (the "Refunded Bonds"); and (2) the payment of costs of issuance of the 2025B Bonds (See "THE OBLIGATIONS – Purposes of the Obligations" and Schedule I for a detailed listing of the Refunded Bonds).

Proceeds from the sale of the Certificates will be used to pay contractual obligations associated with the following: (1) renovating, improving and equipping existing library facilities; (2) renovating, improving and equipping the City's existing performing arts civic center; and (3) professional services rendered in relation to such projects and the financing thereof. (See "THE OBLIGATIONS – Purpose of the Obligations").

Ratings .... The Obligations have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The presently outstanding ad valorem tax debt of the City is rated "Aaa" (stable outlook) by Moody's and "AAA" (stable outlook) by S&P. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)

Payment Record .... The City has never defaulted in the payment of its bonded indebtedness.

Date of Delivery .... It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June 18, 2025.

Legality .... Delivery of the Obligations is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to the legality of each respective Obligation by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas. (See APPENDIX C, "Forms of Legal Opinions of Bond Counsel.")

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PRELIMINARY OFFICIAL STATEMENT

Relating to

CITY OF McKINNEY, TEXAS
(Collin County)

$35,510,000*	**$26,795,000***
General Obligation Bonds,	**General Obligation Refunding Bonds,**
Series 2025A	**Series 2025B**

$28,140,000*
Tax and Limited Pledge Waterworks and Sewer System
Revenue Certificates of Obligation, Series 2025

INTRODUCTION

Payment Terms . . . Interest on the $35,510,000* General Obligation Bonds, Series 2025A (the "2025A Bonds") and the $3,645,000* Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025 (the "Certificates")will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the $26,795,000* General Obligation Refunding Bonds, Series 2025B (the "2025B Bonds") will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing August 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 2025A Bonds, 2025B Bonds, and the Certificates are collectively referred to herein as the "Obligations." The definitive Obligations are initially issuable only to Cede and Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Obligations will be made to the purchasers thereof**. Principal of and interest on the Obligations will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar (the "Paying Agent/Registrar"), to Cede & Co., as nominee of DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payment to the beneficial owners of the Obligations (See "BOOK-ENTRY-ONLY-SYSTEM" herein).

Authority for Issuance . . . The 2025A Bonds and 2025B Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including, as applicable, Chapters 1207, 1331, and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on March 18, 2025.

The Certificates are being issued pursuant to the Constitution and laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Certificate Ordinance") adopted by the City Council on March 18, 2025.

The Bond Ordinance and the Certificate Ordinance are referred to collectively herein as the "Ordinances." In the respective Ordinances, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the Obligations, and to establish certain terms related to the issuance and sale of the Obligations. The terms of each sale will be included in the "Pricing Certificate" relating to each series of the Obligations which will be executed by a Pricing Officer and will complete the sale of the Obligations (the respective Ordinances as each supplemented by each respective Pricing Certificate, are referred to herein as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Security . . . The 2025A Bonds and 2025B Bonds are direct obligations of the City, payable from an annual ad valorem tax, within the limits prescribed by law, levied on all taxable property within the City as provided in the Bond Ordinance. (See "SECURITY" herein.).

The Certificates are payable from annual ad valorem taxes levied against all taxable property in the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates (See "THE OBLIGATIONS – Tax Rate Limitations" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). The Certificates are additionally payable from a limited pledge not to exceed $1,000 derived from net revenues of the City's waterworks and sewer system.

Purpose . . . Proceeds from the sale of the 2025A Bonds will be used to pay contractual obligations associated with the following: (1) acquiring, constructing, improving, expanding, and equipping public safety facilities, including any needed land and rights-of-way therefor; (2) designing, acquiring, developing, constructing, expanding, improving and equipping parks, recreational facilities, and open space improvements, including improvements to Towne Lake Park and the Gabe Nesbitt softball/baseball fields, a new multigenerational recreation center, and new sports courts, and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; (3) designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, roads, and intersections, including thoroughfares, alleys, sidewalks, bridges, screening walls, streetscape, entryway signs beautification and other public ways, participation in joint projects with federal, state, and local public entities and agencies, accessibility improvements, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility replacement and relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; and (4) the payment of costs of issuance of the 2025A Bonds (See "THE OBLIGATIONS – Purposes of the Obligations").

Proceeds from the sale of the 2025B Bonds will be used to pay contractual obligations associated with the following: (1) refunding the City's General Obligation Bonds, Series 2015 (the "Refunded Bonds"); and (2) the payment of costs of issuance of the 2025B Bonds (See "THE OBLIGATIONS – Purposes of the Obligations" and Schedule I for a detailed listing of the Refunded Bonds).

Proceeds from the sale of the Certificates will be used to pay contractual obligations associated with the following: (1) renovating, improving and equipping existing library facilities; (2) renovating, improving and equipping the City's existing performing arts civic center; and (3) professional services rendered in relation to such projects and the financing thereof. (See "THE OBLIGATIONS – Purpose of the Obligations").

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* Preliminary, subject to change.

Refunded Bonds. . . The principal and interest due on the Refunded Bonds are to be paid on the scheduled redemption date of such Refunded Bonds, from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the City and the BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Bond Ordinance provides that from a portion of proceeds of the sale of the 2025B Bonds received from the Initial 2025B Bond Purchaser, 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 Bonds on their redemption date as described in "Schedule I - Schedule of Refunded Bonds." 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 direct noncallable obligations of the United States (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 Bonds and amounts therein will not be available to pay the 2025B Bonds.

Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent"), will verify at the time of delivery of the 2025B Bonds to the Initial 2025B Bond Purchaser, 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 Bonds on their redemption date (see " OTHER PERTINENT INFORMATION - Verification of Mathematical Computations").

By the deposit of the Governmental Obligations and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the legal defeasance of the Refunded Bonds, pursuant to Chapter 1207 and the ordinance authorizing the issuance of the Refunded Bonds. 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 Bonds will no longer be payable from ad valorem taxes, 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 Bonds 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 other than to receive payment when due. See “APPENDIX C - Forms of Bond Counsel’s Opinions” herein.

PLAN OF FINANCING

Sources and Uses of Funds

The proceeds of the 2025A Bonds will be applied substantially as follows:

Sources:		
Par Amount of the 2025A Bonds	$	-
City Costs of Issuance Contribution		-
Net Premium		-
Total Sources of Funds	$	-
Uses:		
Deposit to Project Fund	$	-
Costs of Issuance		-
Total Uses of Funds	$	-

The proceeds of the 2025B Bonds will be applied substantially as follows:

Sources:		
Par Amount of the 2025B Bonds	$	-
City Costs of Issuance Contribution		-
Net Premium		-
Total Sources of Funds	$	-
Uses:		
Deposit to Escrow Fund	$	-
Costs of Issuance		-
Total Uses of Funds	$	-

The proceeds of the Certificates will be applied substantially as follows:

Sources:		
Par Amount of the Certificates	$	-
City Costs of Issuance Contribution		-
Net Premium		-
Total Sources of Funds	$	-
Uses:		
Deposit to Project Fund	$	-
Costs of Issuance		-
Total Uses of Funds	$	-

THE OBLIGATIONS

General

The Obligations are dated June 18, 2025, and interest will accrue on the Obligations from the date of their initial delivery, anticipated to be June 18, 2025 (the "Date of Delivery"). The Obligations are stated to mature on August 15 in the years and in the principal amounts set forth on the inside cover pages hereof. The Obligations 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 consisting of twelve 30-day months. Interest on the 2025A Bonds and the Certificates will be payable on February 15 and August 15 of each year, commencing February 15, 2026 until maturity or prior redemption. Interest on the 2025B Bonds will be payable on February 15 and August 15 of each year, commencing August 15, 2025 until maturity or prior redemption.The definitive Obligations will be issued as fully registered Obligations in book-entry only form and when issued will be registered in the name of Cede & Co., as nominee of DTC will act as securities depository. Book-entry interests in the Obligations will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of Obligations ("Beneficial Owners") will not receive physical delivery of obligations representing their interest in the Obligations purchased. So long as DTC or its nominee is the registered owner of the Obligations, the principal of and interest on the Obligations will be payable by BOKF, NA, 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 Obligations. (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 2025A Bonds and 2025B Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including, as applicable, Chapters 1207, 1331, and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council") on March 18, 2025.

The Certificates are being issued pursuant to the Constitution and laws of the State of Texas, including Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and an ordinance authorizing their issuance (the "Certificate Ordinance") adopted by the City Council on March 18, 2025.

The Bond Ordinance and the Certificate Ordinance are collectively referred to herein as the "Ordinances." In the respective Ordinances, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the Obligations, and to establish certain terms related to the issuance and sale of the Obligations. The terms of each sale will be included in the "Pricing Certificate" relating to each series of the Obligations which will be executed by a Pricing Officer and will complete the sale of the Obligations (the respective Ordinances as each supplemented by each respective Pricing Certificate, are referred to as the "Ordinance"). (See "THE OBLIGATIONS – Authority for Issuance" herein.)

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a direct and continuing annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, such as the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City authorizes the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

Purpose of the Obligations

Proceeds from the sale of the 2025A Bonds will be used to pay contractual obligations associated with the following: (1) acquiring, constructing, improving, expanding, and equipping public safety facilities, including any needed land and rights-of-way therefor; (2) designing, acquiring, developing, constructing, expanding, improving and equipping parks, recreational facilities, and open space improvements, including improvements to Towne Lake Park and the Gabe Nesbitt softball/baseball fields, a new multigenerational recreation center, and new sports courts, and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; (3) designing, acquiring, constructing, maintaining, renovating, improving, repairing, extending, expanding, and enhancing streets, roads, and intersections, including thoroughfares, alleys, sidewalks, bridges, screening walls, streetscape, entryway signs beautification and other public ways, participation in joint projects with federal, state, and local public entities and agencies, accessibility improvements, computerized signalization and monitoring equipment and other traffic controls, grade separations, street lighting, necessary or incidental utility replacement and relocation, and drainage improvements in connection with the foregoing and the purchase of land, easements, rights-of-way, and other real property interests necessary therefor; and (4) the payment of costs of issuance of the 2025A Bonds (See "THE OBLIGATIONS – Purposes of the Obligations").

Proceeds from the sale of the 2025B Bonds will be used to pay contractual obligations associated with the following: (1) refunding the City's General Obligation Bonds, Series 2015 (the "Refunded Bonds"); and (2) the payment of costs of issuance of the 2025B Bonds (See "THE OBLIGATIONS – Purposes of the Obligations" and Schedule I for a detailed listing of the Refunded Bonds).

Proceeds from the sale of the Certificates will be used to pay contractual obligations associated with the following: (1) renovating, improving and equipping existing library facilities; (2) renovating, improving and equipping the City's existing performing arts civic center; and (3) professional services rendered in relation to such projects and the financing thereof. (See "THE OBLIGATIONS – Purpose of the Obligations").

Optional Redemption Provisions

The City reserves the right to redeem the 2025A Bonds and the Certificates maturing on and after August 15, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein.

The 2025B Bonds are not subject to optional redemption.

If less than all of the Obligations within a stated maturity are to be redeemed, the particular Obligations 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 Obligations, 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 the Obligations 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 Obligations 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 Obligations 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 Obligations (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 Obligations, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Obligations 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, or such prerequisites are not satisfied such notice shall be of no force and effect, the City shall not redeem the Obligations, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Obligations have not been redeemed.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption for the Obligations, notice of proposed amendment to the Ordinance or other notices with respect to the Obligations 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 Obligations called for redemption or any other action with respect to the Obligations premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, redemption of such Obligations 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 Obligations from the beneficial owners. Any such selection of Obligations 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 Obligations or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Obligations for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Mandatory Sinking Fund Redemption

In the event the 2025A Bond Purchaser, the 2025B Bond Purchaser, or the Certificate Purchaser elect to combine two or more maturities of the Obligations into one or more "Term Obligations," such Term Obligations 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 Obligations required to be redeemed pursuant to the operation of mandatory redemption requirements will be determined by the applicable Pricing Officer approving the final terms of the Obligations.

Payment Record

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

Legality

The Obligations are offered for delivery when, as and if issued and received by the 2025A Bond Purchaser, the 2025B Bond Purchaser, or the Certificate Purchaser and subject to the approving opinion of the Attorney General of Texas and the legal opinions of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (See "OTHER PERTINENT INFORMATION — Legal Opinions" and APPENDIX C, "Forms of Legal Opinions of Bond Counsel" herein).

Defeasance

The Ordinance provides for the defeasance of the Obligations when payment of the principal of and premium, if any, on the Obligations, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, 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 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 Obligations 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 Obligations. 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 for any other Government Securities will be maintained at any particular rating category. The City reserves the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Obligations shall no longer be regarded to be outstanding or unpaid. Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Obligations, to call for redemption, at an earlier date, those Obligations which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; (ii) gives notice of the reservation of that right to the registered owners or holders of the Obligations immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Obligations, 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 Obligations, as applicable no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal and interest on the applicable Obligations, 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 Obligations over any other applicable Obligations, or (3) reduce the aggregate principal amount of the applicable Obligations required for consent to any amendment, addition, or waiver.

SECURITY

The Obligations constitute direct obligations of the City and are payable as to principal and interest from an annual ad valorem tax levied against all taxable property therein, within the limits prescribed by law.

The Certificates are payable from annual ad valorem taxes levied against all taxable property in the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates (See "THE OBLIGATIONS – Tax Rate Limitations" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). The Certificates are additionally payable from a limited pledge not to exceed $1,000 derived from the net revenues of the City's wastewater and sewer system.

REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal or interest on the Obligations when due, or if it fails to make payments into any fund or funds created in the 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 Obligations if there is no other available remedy at law to compel performance of the obligations set forth in the Obligations 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 Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Obligations do not provide for the appointment of a trustee to represent the interest of the holders of the Obligations upon any failure of the City to perform in accordance with the terms of the Obligations, 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 obligations, but in connection with the issuance of the Obligations set forth in the Ordinance, the City has not waived sovereign immunity pursuant to Chapter 1371. As a result, holders of the Obligations may not be able to bring such a suit against the City for breach of the Obligations 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 Obligations.

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 Ordinance provides that holders of the Obligations may exercise the remedy of mandamus to enforce the obligations of the City under the 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, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. 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 holders of the Obligations 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 Obligations 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 Obligations, is BOKF, NA, Dallas, Texas. In the Ordinances, the Issuer retains the right to replace the Paying Agent/Registrar for the Obligations. 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 Obligations, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Obligations affected thereby by United States mail, first-class, postage prepaid.

The Obligations 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 Obligations, 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 Obligations 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 an Obligation 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 an Obligation 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 Obligations are initially to be issued utilizing DTC's Book-Entry-Only System. In the event such Book-Entry-Only System for the Obligations should be discontinued, printed obligations will be issued to the registered owners of the Obligations and thereafter such Obligations 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. An Obligation may be assigned by the execution of an assignment form on the Obligation or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Obligation will be delivered by the Paying Agent/Registrar in lieu of the Obligation 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 Obligations issued in an exchange or transfer of Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations.)

Limitation on Transfer of Obligations

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

Replacement Obligations

In the Ordinances, provisions are made for the replacement of mutilated, destroyed, lost, or stolen Obligations. In the case of a mutilated Obligation, a new Obligation in the same principal amount will be delivered only upon surrender to and cancellation of the mutilated Obligation by the Paying Agent/Registrar. In the case of a destroyed, lost or stolen Obligation, a new Obligation 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 Obligation 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 Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and credited by DTC while the Obligations 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, the Financial Advisor, the Initial Bond Purchaser, and the Initial Certificate Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer, the Initial 2025A Bond Purchaser, the Initial 2025B Bond Purchaser, and the Initial Certificate Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or the redemption price or redemption notices or other notices with respect to the Obligations, 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 Obligations), or any redemption or other notice with respect to the Obligations, 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 Obligations. The Obligations 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 Obligations 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 obligations. 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 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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 Obligations may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations 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 Obligations shall be sent to DTC. If less than all of the Obligations 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 Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Obligations 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, the Initial 2025A Bond Purchaser, the Initial 2025B Bond Purchaser, or the Initial Certificate Purchaser.

DTC may discontinue providing its services as securities depository with respect to one or more series of the Obligations, 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 Obligations 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 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 Obligations 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 Obligations, 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 the 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 obligations (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 Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (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 approximately $784,869,744 in municipal investment pools, $340,791,656 in U.S. Government and Agency Securities, and $33,231,365 in an interest bearing account at a local bank. 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.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors *are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

Valuation of Taxable Property. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (See "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

State Mandated Homestead Exemptions. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non- homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2024.

Local Option Homestead Exemptions. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

Local Option Freeze for the Elderly and Disabled. . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property. . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions. . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property. . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Reinvestment Zones. . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Temporary Exemption for Qualified Property Damaged by a Disaster . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage". For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Abatement Agreements. . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" herein.

City and Taxpayer Remedies. . .Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes. . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

City's Rights in the Event of Tax Delinquencies. . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records), or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Public Hearing and Maintenance and Operations Tax Rate Limitations. . . The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

"preceding total value” means a taxing unit’s current total value in the applicable preceding tax year.

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2024 foregone revenue amount divided by the current total value.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.
A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

Debt Tax Rate Limitations. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

City Application of Property Tax Code

The City does not grant a local option exemption to the market value of all residence homesteads.

The City grants a local option exemption equal to $85,000 of the market value of the residence homesteads of persons 65 years of age or older.

The City has not authorized a local option freeze on taxes for persons 65 years of age or older or disabled persons.

The City does not tax non-business personal property.

The City does not permit split payments, and discounts are not allowed. The City does not tax freeport property.

The City has taken action to tax Goods-in-Transit.

The City has created two TIRZs in which the taxes levied against the incremental tax base growth are captured and applied to fund infrastructure costs in each TIRZ. For Fiscal Year 2024, there is approximately $872,990,434 million of "captured" appraised value in the TIRZs, representing $3,732,148 of tax levy that is dedicated to the construction of infrastructure improvements in the TIRZs.

The City has entered into tax abatement agreements with entities in the City for economic development purposes in accordance with its tax abatement policy described below under "AD VALOREM PROPERTY TAXATION – Tax Abatement Agreements". see "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to tax abatement agreements.

The City has created an historic neighborhood improvement zone to promote the rehabilitation and improvement of historic housing in the City. Homeowners living in the zone may apply to receive a tax exemption on the value of qualifying improvements made to homes located in the zone. Such exemption could be for a period of up to 15 years. see "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to tax exemptions for historic home improvements in the zone.

City Tax Abatement Agreements

The City has adopted a tax abatement policy as a stimulus for economic development within the City. Each request for abatement is considered individually by the Joint Committee on Tax Abatement which consists of members from all taxing entities within the community. Only those businesses meeting certain subjective and objective criteria are awarded abatements. Subjective criteria include the number and type of jobs to be created, the fiscal impact on the community, relocation of employees, and the environmental impact on the community. The value and term of the abatement will be determined on a case by case basis.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Texas Tax Code, Chapter 321, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness, including the Obligations. Net collections are shown in APPENDIX A.

Optional Sales Tax

An election within the City in January 1993 approved an additional ½ cent sales tax to be collected for economic development purposes in accordance with Section 4A, Article 5109.6 of Vernon's Texas Civil Statutes, now codified as Texas Local Government Code, Chapter 504, as amended. The McKinney Economic Development Corporation was formed and the board of directors was appointed by the City Council to oversee the use of these funds. This revenue source is being used to encourage industrial and commercial development in the City. The collection of the tax began in July 1993. The implementation of this ½ cent sales tax increase did not require a corresponding reduction in property taxes.

In January 1996, a City election approved an additional ½ cent sales tax in accordance with Section 4B, Article 5190.6 of Vernon's Texas Civil Statutes, now codified as Texas Local Government Code, Chapter 505, as amended. This revenue source is used to fund various public facilities and infrastructure, including but not limited to parks, cultural and civic facilities, sports facilities, and historic preservation and tourism facilities. The revenue can also be used for operational costs of the facilities constructed. The McKinney Community Development Corporation was formed and a board of directors was appointed by the City Council to oversee the use of these funds. The collection of the tax began in July 1996. The implementation of this ½ cent sales tax did not require a corresponding reduction in property taxes.

EMPLOYEE BENEFITS

Pension Plans

The City and three of its component units participate as one of more than 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 compensation during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2024, 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 an other 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 $1,716,121 and $27,163, respectively.

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.

	Governmental	Business-type	Total
Due within a year	$ 1,749,088	$ 183,934	$ 1,933,022
Due in more than a year	17,685,218	1,859,782	19,545,000
Total	$ 19,434,306	$ 2,043,716	$ 21,478,022

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 – OBLIGATIONS

Tax Exemption of the Obligations

The delivery of the Obligations is subject to the opinions of Bond Counsel to the effect that interest on the Obligations 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 opinions (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 Obligations who are individuals. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change. Forms of Bond Counsel's legal opinions are attached in APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Obligations pertaining to the use, expenditure, and investment of the proceeds of the Obligations, and will assume continuing compliance by the City with the provisions of the Ordinances after the issuance of the Obligations. The Ordinances contain covenants by the City with respect to, among other matters, the use of the proceeds of the Obligations and the facilities financed or refinanced with the Obligations by persons other than state or local governmental units, the manner in which the proceeds of the Obligations 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 Obligations to be includable in the gross income of the owners of the Obligations from the date of the issuance of the Obligations.

No ruling has been sought from the Internal Revenue Service ("IRS") with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel's opinions are 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 Obligations is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Obligations 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 Obligations, the City may have different or conflicting interests from the owners of the Obligations. Public awareness of any future audit of the Obligations could adversely affect the value and liquidity of the Obligations 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 Obligations. Prospective purchasers of the Obligations should be aware that the ownership of tax-exempt obligations such as the Obligations 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 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 Obligations. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Obligations.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Obligations 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 Obligations. Prospective purchasers of the Obligations 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 Obligations

The initial public offering price of certain Obligations (the "Discount Obligations") may be less than the amount payable on such Obligations at maturity. An amount equal to the difference between the initial public offering price of a Discount Obligation (assuming that a substantial amount of the 2025A Bonds, 2025B Bonds, or Certificates 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 Obligation. A portion of such original issue discount allocable to the holding period of such Discount Obligation by the initial purchaser will, upon the disposition of such Discount Obligation (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 Obligations 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 Obligation, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Obligation 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 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 Obligation by the initial owner before maturity, the amount realized by such owner in excess of the basis of such Discount Obligation in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Obligation was held) is includable in gross income.

Owners of Discount Obligations should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Obligations for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Obligations. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Obligations 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 Obligations (the "Premium Obligations") paid by an owner may be greater than the amount payable on such Obligations at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Obligation over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Obligation 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 Obligation. 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 Obligation, the yield based on a call date that results in the lowest yield on the Obligation).

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinances, the Issuer has made the following continuing disclosure agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. 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 within 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 Obligations 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 Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, 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 trustee or the change of name of a trustee, 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 Obligations nor the Ordinance make any provision for debt service reserves, 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 financial obligation 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 meaning 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 Obligations, 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 Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations. 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 Obligations in the primary offering of the Obligations 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 Obligations 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 Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Obligations been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Obligations under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations 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 Obligations is subject to the approving legal opinions of the Attorney General of Texas to the effect that the Obligations are valid and binding obligations of the City. Issuance of the Obligations is also subject to the legal opinions 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 Obligations, to the effect that the Obligations 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 and the interest on the Obligations is excluded from gross income for federal income tax purposes under existing law, subject to the matters designated under "TAX MATTERS – OBLIGATIONS" herein. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Obligations. In connection with the issuance of the Obligations, 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 OBLIGATIONS" (except for the information under the subcaption "Payment Record", as to which no opinion will be expressed), "SECURITY," "REGISTRATION, TRANSFER AND EXCHANGE," 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 - OBLIGATIONS;" and the subcaptions "Legal Investments and Eligibility to Secure Public Funds in Texas", "Legal Opinions (excluding the last sentence of the first paragraph thereof)" 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 Obligations are contingent upon the sale and delivery of the Obligations.

The various legal opinions to be delivered concurrently with the delivery of the Obligations 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 Obligations have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). The currently outstanding unenhanced, tax supported debt of the City has an underlying rating of "Aaa" (stable outlook) by Moody's and "AAA" (stable outlook) by 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 ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any on all of such rating agencies if, in the judgment of any or all such rating agencies, circumstances so warrant. Any such downward revision or withdrawal any or all of such ratings may have an adverse effect on the market price of the Obligations.

Initial Purchasers

After requesting competitive bids for the 2025A Bonds, the City accepted the bid of _________________ (the "2025A Bond Purchaser") to purchase the 2025A Bonds at the interest rates shown on page ii hereof at a price of approximately ___________% of par. The 2025A Bond Purchaser can give no assurance that any trading market will be developed for the 2025A Bonds after their sale by the City to the 2025A Bond Purchaser. The City has no control over the price at which the 2025A Bonds are subsequently sold and the initial yield at which the 2025A Bonds will be priced and reoffered will be established by and will be the responsibility of the 2025A Bond Purchaser.

After requesting competitive bids for the 2025B Bonds, the City accepted the bid of _________________ (the "2025B Bond Purchaser") to purchase the 2025B Bonds at the interest rates shown on page v hereof at a price of approximately ___________% of par. The 2025B Bond Purchaser can give no assurance that any trading market will be developed for the 2025B Bonds after their sale by the City to the 2025B Bond Purchaser. The City has no control over the price at which the 2025B Bonds are subsequently sold and the initial yield at which the 2025B Bonds will be priced and reoffered will be established by and will be the responsibility of the 2025B Bond Purchaser.

After requesting competitive bids for the Certificates, the City accepted the bid of _________________ (the "Certificate Purchaser") to purchase the Certificates at the interest rates shown on page viii hereof at a price of approximately ___________% of par. The Certificate Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Certificate Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Certificate Purchaser.

Financial Advisor

Estrada Hinojosa is contracted as Financial Advisor to the City in connection with the issuance of the Obligations. The fee for services rendered by the Financial Advisor with respect to the sale of the Obligations is contingent upon the issuance and delivery of such Obligations. Estrada Hinojosa has relied on the opinions 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 Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

The Financial Advisor to the City 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, and as part of, 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.

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."

Verification of Mathematical Computations

Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent") will deliver to the City, on or before the settlement date of the 2025B Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Governmental Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Such report will be relied upon by Bond Counsel in rendering its opinion with respect to defeasance of the Refunded Bonds. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by Estrada Hinojosa on behalf of the City. The Verification Agent has restricted its procedures to recalculating the computations provided by Estrada Hinojosa on behalf of the City and has not evaluated or examined the assumptions or information used in the computations.

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.

Certification as to Official Statement

At the time of payment for and delivery of the Obligations, the 2025A Bond Purchaser, the 2025B Bond Purchaser, and the Certificate Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in the final Official Statement, and any addenda, supplement or amendment thereto, for the Obligations, on the date of such final Official Statement, on the date of sale of said Obligations and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such final Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such final Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2024, the date of the last financial statements of the City appearing in the final Official Statement as APPENDIX D.

Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the City delivers the Obligations to the 2025A Bond Purchaser, the 2025B Bond Purchaser, and the Certificate Purchaser at closing, unless extended by such purchasers. All information with respect to the resale of the Obligations subsequent to the "end of the underwriting period" is the responsibility of the 2025A Bond Purchaser, the 2025B Bond Purchaser, and the Certificate Purchaser.

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

____
Pricing Officer

SCHEDULE I
SCHEDULE OF REFUNDED BONDS*

Bond	Maturity Date	Interest Rate	Par Amount	Redemption Date	Call Price
General Obligation Bonds, Series 2015					
	8/15/2026	5.000%	$ 2,245,000	8/15/2025	100.00
	8/15/2027	5.000%	2,360,000	8/15/2025	100.00
	8/15/2028	5.000%	2,475,000	8/15/2025	100.00
	8/15/2029	5.000%	2,600,000	8/15/2025	100.00
	8/15/2030	5.000%	2,730,000	8/15/2025	100.00
	8/15/2031	5.000%	2,865,000	8/15/2025	100.00
	8/15/2032	5.000%	3,010,000	8/15/2025	100.00
	8/15/2033	5.000%	3,160,000	8/15/2025	100.00
	8/15/2034	5.000%	3,320,000	8/15/2025	100.00
	8/15/2035	5.000%	3,485,000	8/15/2025	100.00
			$ 28,250,000		

* Preliminary, subject to change.

APPENDIX A

FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT

FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT

2024/2025 Actual Market Value of Taxable Property			$	49,644,651,401
Less Exemptions:				
Community Housing Dev. Organization Loss	$	25,971,310		
Local Over Age 65 or Disabled Exemption Loss		957,070,307		
Productivity Value Loss		652,608,852		
Freeport Exemption Loss		407,749,613		
Vehicles Loss		160,727,205		
Disabled Veterans Homestead Loss		328,712,468		
Veterans Exemption Loss		8,671,925		
Military Surviving Spouse		1,829,173		
Historical Exemption Loss		42,140,591		
Homestead 10% Cap		2,570,955,715		
Exempt: Other Including Public Property, Religious		3,331,605,418		
Exempt: Misc		36,832,377		
Goods in Transit		6,609		
Pollution Control Exemption Loss		1,256,013		
Solar/Wind Exemption Loss		2,559,029		
Medical		32,717,419	$	8,561,414,024
2024/2025 Net Taxable Assessed Valuation (100% of Actual)			$	41,083,237,377

(1) Source: Collin Central Appraisal District. As of the date of certification by the Collin Central Appraisal District.

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General Obligation Bonded Debt

General Obligation Debt Outstanding			
General Obligation and Refunding Bonds, Series 2014	$	4,470,000	
General Obligation Refunding Bonds, Taxable Series 2014		2,525,000	
Tax and Limited Pledge Hotel Occupancy Tax Revenue Certificates of Obligation, Taxable Series 2014A		1,735,000	
General Obligation Bonds, Series 2015		2,140,000	(1)
General Obligation Refunding and Improvement Bonds, Series 2016		15,915,000	
General Obligation Refunding Bonds, Series 2017		1,660,000	
General Obligation Bonds, Series 2018		16,160,000	
Tax and Ltd Pledge WW and SS Revenue Certificates of Obligation, Taxable Series 2019		3,455,000	
General Obligation Refunding and Improvement Bonds, Series 2019		37,500,000	
General Obligation, Series 2020A		34,880,000	
General Obligation Refunding Bonds, Series 2020B		10,490,000	
Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2020		6,670,000	
General Obligation Bonds, Series 2021A		15,275,000	
General Obligation Refunding Bonds, Taxable Series 2021B		12,365,000	
General Obligation Bonds, Taxable Series 2021C		28,525,000	
General Obligation Bonds, Series 2022		53,605,000	
General Obligation Bonds, Series 2023		34,295,000	
General Obligation Bonds, Series 2023A		14,035,000	
General Obligation Bonds, Taxable Series 2023B		29,910,000	
Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2023		24,260,000	
General Obligation and Refunding Bonds, Series 2024		77,595,000	
Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2024		3,725,000	
The 2025A Bonds		35,510,000	(2)
The 2025B Bonds		26,795,000	(2)
The Certificates		28,140,000	(2)
Total Gross General Obligation Debt Outstanding	$	521,635,000	
Audited General Obligation Interest & Sinking Fund Balance	$	9,554,238	
Net General Obligation Debt Outstanding	$	512,080,762	
2024/2025 Net Taxable Assessed Valuation (100% of Actual)	$	41,083,237,377	

2024 Population	214,810
Per Capita 2024/2025 Net Assessed Valuation	191,254
Per Capita Gross General Obligation Debt	2,428
Per Capita Net General Obligation Debt	2,384

(1) Does not include the Refunded Bonds. Preliminary, subject to change.
(2) Preliminary, subject to change.

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Pro Forma General Obligation Debt Service Requirements

Year Ended 09/30	Outstanding General Obligation Debt [1]			The 2025A Bonds [2]			The 2025B Bonds [2]			The Certificates [2]			Total Debt Service on General Obligation Debt Outstanding	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2025	$ 37,530,000	$ 19,901,389	$ 57,431,389	$ -	$ -	$ -	$ 490,000	$ 212,127	$ 702,127	$ -	$ -	$ -	$ 57,431,389	
2026	23,300,000	17,338,637	40,638,637	17,440,000	2,056,621	19,496,621	2,090,000	1,315,250	3,405,250	645,000	1,629,775	2,274,775	62,410,033	
2027	22,655,000	15,591,111	38,246,111	590,000	903,500	1,493,500	2,200,000	1,210,750	3,410,750	900,000	1,374,750	2,274,750	42,014,361	
2028	23,110,000	14,564,795	37,674,795	620,000	874,000	1,494,000	2,305,000	1,100,750	3,405,750	945,000	1,329,750	2,274,750	41,443,545	
2029	24,015,000	13,513,978	37,528,978	650,000	843,000	1,493,000	2,420,000	985,500	3,405,500	995,000	1,282,500	2,277,500	41,299,478	31.00%
2030	23,480,000	12,431,331	35,911,331	685,000	810,500	1,495,500	2,540,000	864,500	3,404,500	1,045,000	1,232,750	2,277,750	39,684,581	
2031	20,515,000	11,512,179	32,027,179	720,000	776,250	1,496,250	2,670,000	737,500	3,407,500	1,095,000	1,180,500	2,275,500	35,798,929	
2032	21,390,000	10,642,609	32,032,609	755,000	740,250	1,495,250	2,805,000	604,000	3,409,000	1,150,000	1,125,750	2,275,750	35,803,609	
2033	22,230,000	9,740,818	31,970,818	795,000	702,500	1,497,500	2,940,000	463,750	3,403,750	1,205,000	1,068,250	2,273,250	35,741,568	
2034	23,130,000	8,803,369	31,933,369	835,000	662,750	1,497,750	3,090,000	316,750	3,406,750	1,265,000	1,008,000	2,273,000	35,704,119	55.31%
2035	24,030,000	7,872,958	31,902,958	875,000	621,000	1,496,000	3,245,000	162,250	3,407,250	1,330,000	944,750	2,274,750	35,673,708	
2036	17,900,000	6,928,386	24,828,386	920,000	577,250	1,497,250	-	-	-	1,395,000	878,250	2,273,250	28,598,886	
2037	22,230,000	6,218,907	28,448,907	965,000	531,250	1,496,250	-	-	-	1,465,000	808,500	2,273,500	32,218,657	
2038	23,030,000	5,380,324	28,410,324	1,010,000	483,000	1,493,000	-	-	-	1,540,000	735,250	2,275,250	32,178,574	
2039	22,720,000	4,499,722	27,219,722	1,065,000	432,500	1,497,500	-	-	-	1,615,000	658,250	2,273,250	30,990,472	79.98%
2040	21,240,000	3,601,919	24,841,919	1,115,000	379,250	1,494,250	-	-	-	1,700,000	577,500	2,277,500	28,613,669	
2041	18,760,000	2,734,737	21,494,737	1,170,000	323,500	1,493,500	-	-	-	1,785,000	492,500	2,277,500	25,265,737	
2042	16,390,000	1,888,922	18,278,922	1,230,000	265,000	1,495,000	-	-	-	1,870,000	403,250	2,273,250	22,047,172	
2043	12,875,000	1,121,883	13,996,883	1,290,000	203,500	1,493,500	-	-	-	1,965,000	309,750	2,274,750	17,765,133	
2044	10,660,000	519,185	11,179,185	1,355,000	139,000	1,494,000	-	-	-	2,065,000	211,500	2,276,500	14,949,685	99.27%
2045	-	-	-	1,425,000	71,250	1,496,250			-	2,165,000	108,250	2,273,250	3,769,500	100.00%
	$ 431,190,000	$ 174,807,161	$ 605,997,161	$ 35,510,000	$ 12,395,871	$ 47,905,871	$ 26,795,000	$ 7,973,127	$ 34,768,127	$ 28,140,000	$ 17,359,775	$ 45,499,775	$ 699,402,807	

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(1) Does not include the Refunded Bonds. Preliminary, subject to change.

(2) Calculated at assumed rates for purposes of illustration. Preliminary, subject to change.

Tax Adequacy

Average Annual Requirement (2025 - 2045) ……………..……………..	$	33,304,896
A tax rate of $0.0811 per $100 assessed valuation produces ……….		33,304,896
Average Annual Requirement (10 year) (2025 - 2034) …………………….		42,733,161
A tax rate of $0.1040 per $100 assessed valuation produces ……….		42,733,161
Maximum Annual Requirement (2026) ………………………………….		62,410,033
A tax rate of $0.1519 per $100 assessed valuation produces ……….		62,410,033

Purpose	Date Authorized	Amount Authorized	Previously Issued	The 2025A Bonds	Unissued Balance
Public Safety	5/4/2019	$ 75,000,000	$ 58,450,000	$ 11,500,000	$ 5,050,000
Municipal Complex Improvements	5/4/2019	50,000,000	50,000,000	-	-
Parks & Recreation	5/4/2019	91,000,000	91,000,000	-	-
Public Works	5/4/2019	34,000,000	16,750,000	-	17,250,000
Traffic	5/4/2019	100,000,000	100,000,000	-	-
		$ 350,000,000	$ 316,200,000	$ 11,500,000	$ 22,300,000
Purpose	Authorized	Authorized	Issued	The 2025A Bonds	Balance
Parks & Recreation	5/4/2024	$ 106,000,000	$ 20,000,000	$ 2,500,000	$ 83,500,000
Public Works South Campus	5/4/2024	30,000,000	-	-	30,000,000
Public Safety Facilities	5/4/2024	70,000,000	-	-	70,000,000
Street Improvements	5/4/2024	243,500,000	-	23,000,000	220,500,000
		$ 449,500,000	$ 20,000,000	$ 25,500,000	$ 404,000,000
Grand Total		$ 799,500,000	$ 336,200,000	$ 37,000,000	$ 426,300,000

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 affecting 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.

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Overlapping Debt Data

Taxing Body		Gross Debt (as of 1/31/25)	Percent Overlapping		Amount Overlapping
Allen ISD	$	563,586,098	10.29%	$	57,993,009
Collin Co		841,715,000	16.03%		134,926,915
Collin Co CCD		459,865,000	16.03%		73,716,360
Frisco ISD		2,185,380,934	10.32%		225,531,312
Lovejoy ISD		127,735,000	2.28%		2,912,358
McKinney ISD		478,860,000	85.41%		408,994,326
Melissa ISD		503,040,000	9.62%		48,392,448
Prosper ISD		2,173,312,968	16.61%		360,987,284
Subtotal, overlapping debt	$	7,333,495,000		$	1,313,454,012
City of McKinney [(1)]	$	521,635,000	100%		521,635,000
Total Direct & Overlapping Debt				$	1,835,089,012

Ratio of Direct and Overlapping Debt to 2024/2025 Net Assessed Valuation		4.47%
Ratio of Direct and Overlapping Debt to 2024/2025 Market Valuation		3.70%
Per Capita Direct and Overlapping Debt	$	8,543

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(1) Includes the Obligations and excludes the Refunded Bonds. Preliminary, subject to change.

Principal Taxpayers

Tax Year 2024 Top Ten Taxpayers

Name of Taxpayer	Type of Business		2024 Taxable Value	% of Net Valuation
Raytheon TI Systems Inc.	Technology	$	364,880,043	0.89%
Harbert Parkside Investor LP	Apartments		350,039,843	0.85%
Encore Wire Corp.	Industrial Manufacturing		314,897,796	0.77%
WMCI Dallas VI LLC	Apartments		152,698,216	0.37%
Columbia Medical Center	Hospital		134,615,156	0.33%
Luxia Craig Ranch LLC	Apartments		110,000,000	0.27%
IBG Real Estate Holdings II Inc.	Apartments		107,282,341	0.26%
BT-JV MS LLC	Apartments		106,600,000	0.26%
Henneman Way Propco 1 LLC	Apartments		106,488,306	0.26%
YAMASA CO LTD	Apartments		102,766,871	0.25%
		$	1,850,268,572	4.50%

Source: Collin Central Appraisal District.

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Classification of Assessed Valuations [1]

Category	Tax Year 2022	% of Total	Tax Year 2023	% of Total	Tax Year 2024	% of Total
Real, Residential, Single-Family	$ 25,905,380,884	69.40%	$ 29,774,044,707	69.11%	$ 31,105,284,025	67.49%
Real, Residential, Multi-Family	2,992,364,695	8.02%	3,553,235,260	8.25%	3,869,110,777	8.40%
Real, Vacant Lots/Tracts	499,858,582	1.34%	556,595,017	1.29%	525,777,597	1.14%
Real, Acreage	674,364,658	1.81%	653,440,693	1.52%	654,597,483	1.42%
Real, Farm & Ranch Improvements	145,626,145	0.39%	188,629,745	0.44%	49,584,330	0.11%
Real, Commercial & Industrial	4,701,997,844	12.60%	5,500,142,078	12.77%	6,565,077,371	14.25%
Utilities	241,802,189	0.65%	249,283,821	0.58%	272,932,197	0.59%
Tangible Personal, Business	1,792,352,272	4.80%	2,129,329,215	4.94%	2,398,805,529	5.20%
Tangible Personal, Other	11,833,820	0.03%	11,536,733	0.03%	11,556,439	0.03%
Residential Inventory	230,830,995	0.62%	326,064,598	0.76%	486,597,750	1.06%
Special Inventory	131,498,012	0.35%	138,180,555	0.32%	147,294,062	0.32%
Total Appraised Value	$ 37,327,910,096	100.00%	$ 43,080,482,422	100.00%	$ 46,086,617,560	100.00%
Plus:						
Totally Exempt Property	$ 2,792,158,578		$ 3,441,811,710		$ 3,558,033,841	
Less:						
Homestead 10% Cap	$ 3,149,179,854		$ 3,871,060,683		$ 2,570,955,715	
Productivity Value Loss	672,405,548		651,229,896		652,608,852	
Exemptions	4,159,948,837		5,036,052,499		5,337,849,457	
Total Exemptions/Deductions	$ 7,981,534,239		$ 9,558,343,078		$ 8,561,414,024	
Net Taxable Assessed Valuation	$ 32,138,534,435		$ 36,963,951,054		$ 41,083,237,377	

[1] Source: Collin Central Appraisal District, as of certification.

Property Tax Rates and Collections

Tax Year	Net Taxable Assessed Valuation	M&O Tax Rate	I&S Tax Rate	% Collections Current	% Collections Total
2015	$ 15,327,566,890	$ 0.40997	$ 0.17303	99.09%	99.94%
2016	17,302,031,953	0.40177	0.17123	99.25%	99.93%
2017	19,689,744,789	0.37561	0.16459	99.25%	99.90%
2018	21,987,081,464	0.36239	0.16278	99.57%	99.92%
2019	22,198,969,342	0.35539	0.16021	99.24%	99.80%
2020	23,406,570,728	0.35471	0.15393	99.26%	99.80%
2021	27,116,136,186	0.34552	0.15214	99.68%	99.96%
2022	32,138,534,435	0.31180	0.14569	99.73%	99.99%
2023	36,957,957,663	0.28669	0.14083	99.67%	99.99%
2024	41,083,237,377	0.27894	0.13658	(In Process of Collection)	

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Municipal Sales Tax Collections

Fiscal Year	Sales Tax Collections [1]	Adjusted Ad Valorem Tax Levy	Tax Rate Per $100 Assessed Value	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2016	$ 21,260,566	$ 89,414,386	0.58300	23.78%	0.1386
2017	23,144,381	99,251,594	0.57300	23.32%	0.1336
2018	26,708,785	105,920,720	0.54020	25.22%	0.1362
2019	28,502,110	115,202,200	0.52517	24.74%	0.1299
2020	32,198,507	123,308,492	0.51560	26.11%	0.1346
2021	36,709,700	127,813,473	0.50865	28.72%	0.1461
2022	42,374,675	137,924,871	0.45749	30.72%	0.1405
2023	44,612,339	159,939,024	0.45749	27.89%	0.1192
2024	47,766,143	169,104,531	0.42751	28.25%	0.1174
2025	12,935,671 [2]	175,636,181 [3]	0.41551	(in process of collections)	

[1] Excludes the collections for the Economic Development Corporation and the Community Development Corporation. The municipal sales tax is not pledged to the payment of any of the Obligations.
[2] Collections through February 2025.
[3] Levy as of Certification per Collin CAD Report.

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General Fund Combined Statement of Revenues and Expenditures and Changes in Fund Balance

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Fund Balance - Beginning of Year	$ 131,936,760	$ 115,023,862	$ 109,611,319	$ 95,471,387	$ 83,580,020
Revenues:					
Property Taxes	102,698,733	97,001,098	91,881,312	87,328,511	83,448,823
Sales and Use Taxes	44,204,599	41,266,007	39,472,722	34,487,236	30,625,603
Franchise Taxes	20,423,100	19,367,205	18,335,672	16,372,451	15,992,927
Licenses and Permits	15,656,963	16,010,817	14,758,350	11,139,206	10,280,327
Intergovernmental	1,733,239	1,467,290	1,545,864	7,960,788	5,190,085
Charges for Services	14,667,145	17,540,457	16,259,267	14,611,174	10,856,138
Fines and Forfeitures	1,675,387	1,603,668	1,304,956	1,131,869	895,134
Investment Income	10,206,537	6,397,544	(5,423,917)	99,137	1,532,887
Contributions	540,244	533,389	581,365	541,466	440,201
Miscellaneous	1,293,806	4,393,396	1,119,357	1,695,341	1,368,080
Total Revenues	213,099,753	205,580,871	179,834,948	175,367,179	160,630,205
Expenditures:					
Current:					
General Government	$ 44,933,211	$ 38,672,676	$ 38,522,542	$ 35,509,732	$ 31,267,033
Public Safety - Police and Fire	94,498,989	89,214,818	82,096,477	75,875,393	70,999,590
Public Works	19,982,124	19,889,188	14,778,172	13,725,553	12,899,788
Parks and Recreation	22,386,113	20,469,904	17,980,911	15,593,860	14,480,182
Libraries	4,285,065	4,039,909	3,715,649	3,599,007	3,508,643
Development	14,580,882	13,653,879	12,360,876	11,362,884	11,164,580
Airport	-	-	-	-	-
Debt Service	2,724,694	1,295,101	565,475	-	4,638,946
Capital Expenditures	10,674,269	4,890,662	5,359,037	4,968,207	6,606,691
Total Expenditures	$ 214,065,347	$ 192,126,137	$ 175,379,139	$ 160,634,636	$ 155,565,453
Excess (Deficit) of Revenues Over Expenditures	(965,594)	13,454,734	4,455,809	14,732,543	5,064,752
Other Financing Sources (Uses):					
Issuance of Capital Lease	5,550,100	-	-	-	-
Proceeds from Sale of Property	2,940,234	1,102,201	110,974	3,286,581	447,122
Operating Transfers In	9,533,199	7,640,665	7,265,760	86,660,026	10,184,993
Operating Transfers (Out)	(9,430,000)	(5,284,702)	(6,420,000)	(12,539,218)	(3,805,500)
Total Other Financing Sources (Uses):	8,593,533	3,458,164	956,734	(592,611)	6,826,615
Net change in fund balances	7,627,939	16,912,898	5,412,543	14,139,932	11,891,367
Fund Balance - End of Year [1]	$ 139,564,699	$ 131,936,760	$ 115,023,862	$ 109,611,319	$ 95,471,387

[1] Unassigned Fund Balance was $68,822,244 for 2020, $76,278,939 for 2021, $79,239,677 for 2022, $90,120,368 for 2023 and $95,313,652 for 2024.

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 a 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.
Note: Estimate Population for Year 2025.

Unemployment Rates

	City of McKinney			Collin County		
	December 2024	December 2023	December 2022	December 2024	December 2023	December 2022
Civilian Labor Force	123,327	119,663	117,545	667,293	646,962	634,815
Total Employment	119,417	115,940	113,902	645,154	626,369	615,354
Total Unemployment	3,910	3,723	3,643	22,139	20,593	19,461
Percentage Unemployment	3.17%	3.11%	3.10%	3.32%	3.18%	3.07%

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

Major Employers

Company	Product or Service	Approximate Number of Employees
Raytheon TI Systems, Inc.	Electronic systems	4,200
McKinney Independent School District	Educational services	2,920
Collin County	Governmental Services	2,000
Globe Life	Insurance	1,700
Encore Wire	Manufacturing	1,653
City of McKinney	Governmental Services	1,565
Medical Center of McKinney	Medical services	1424
Baylor Medical Center of McKinney	Medical services	1171
Collin College	Education	794
Simpson Strong Tie	Manufacturing	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	93	685,003,453	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	2310	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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Additional Information

Utility Services:	City of McKinney (water and sewer), AT&T, Oncor Electric Delivery, Atmos Energy, Grayson-Collin Electric Cooperative. CoServe Electric
Colleges & Universities:	Collin College – McKinney; Collin College – Frisco; Collin College – Plano; Southern Methodist University – Dallas, Texas Woman's University – Denton; University of North Texas – Denton, and University of Texas at Dallas – Richardson.
Financial Institutions:	Alliance Bank; American National Bank of Texas; Bank of America; Bank of Texas; BBVA Compass; BTH Bank; Chase Bank; First Bank of Texas NA; First Convenience Bank; First United Bank; Guaranty Federal Bank; Heritage Land Bank; Independent Bank; LegacyTexas Bank; Prosperity Bank; Synergy Bank; Texans Credit Union; Texas Star Bank; Valliance Bank; Wells Fargo Bank; Woodforest National Bank.
Air Transportation:	McKinney National Airport, Dallas-Fort Worth International Airport, Dallas Love Field Airport.

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APPENDIX C

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

[closing date]

NORTON ROSE FULBRIGHT

Norton Rose Fulbright US LLP
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IN REGARD to the authorization and issuance of the "City of McKinney, Texas, General Obligation Bonds, Series 2025A," dated June 18, 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 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 August 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 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 payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, 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. 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.

NORTON ROSE FULBRIGHT

[closing date]

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IN REGARD to the authorization and issuance of the "City of McKinney, Texas, General Obligation Refunding Bonds, Series 2025B," dated June 18, 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 August 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 payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the City, 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.

NORTON ROSE FULBRIGHT

[closing date]

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IN REGARD to the authorization and issuance of the "City of McKinney, Texas, Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2025," dated June 18, 2025, in the principal amount of $________ (the "Certificates"), 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 Certificates and the exclusion of the interest on the Certificates 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 Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 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 Certificates (jointly, the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates 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 Certificates, including the Ordinance and an examination of the initial Certificate 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 Certificates 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 Certificates, 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 Certificates 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, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's waterworks and sewer system in the manner and to the extent provided in the Ordinance, 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. 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 Certificates 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 Certificates. Ownership of tax-exempt obligations such as the Certificates 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.

Members of the City Council
City of McKinney, Texas

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

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:

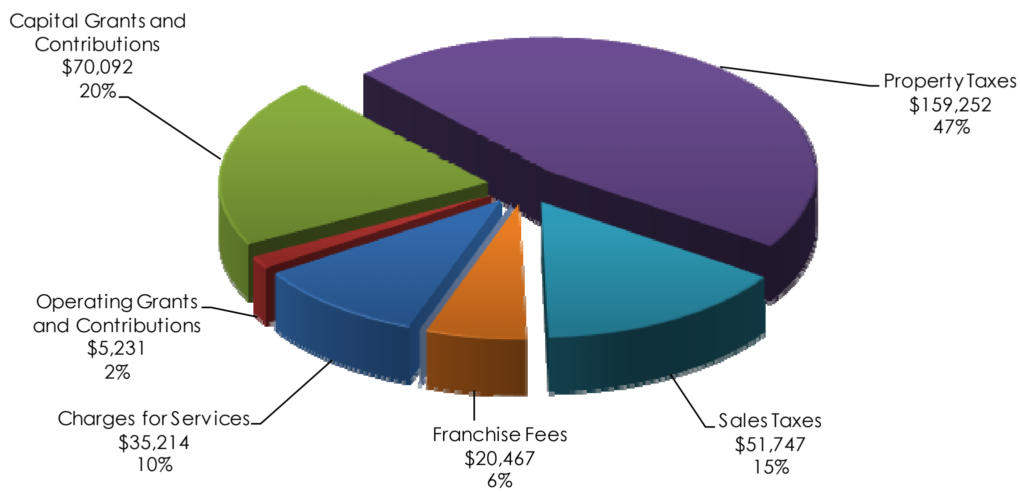
Revenues

- 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.

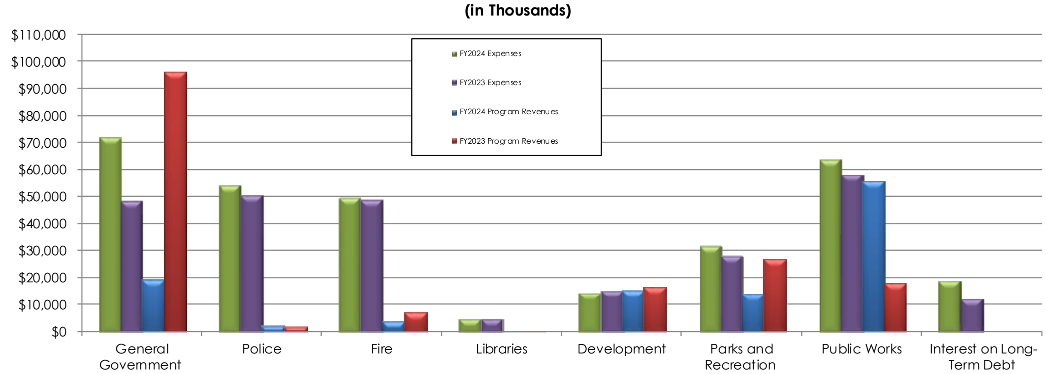
Expenses

- 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.

Revenues by Source - Governmental Activities
(in Thousands)



Expenses and Program Revenues - Governmental Activities
(in Thousands)



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:

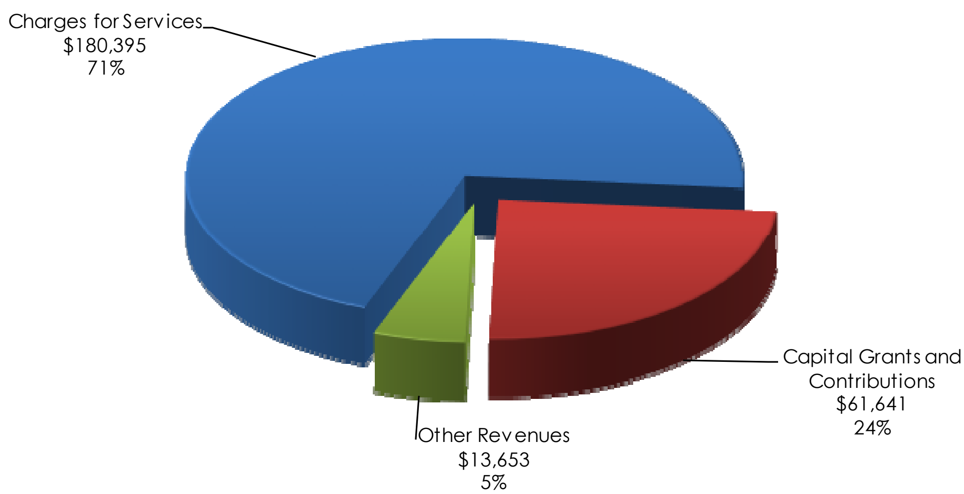
Revenues

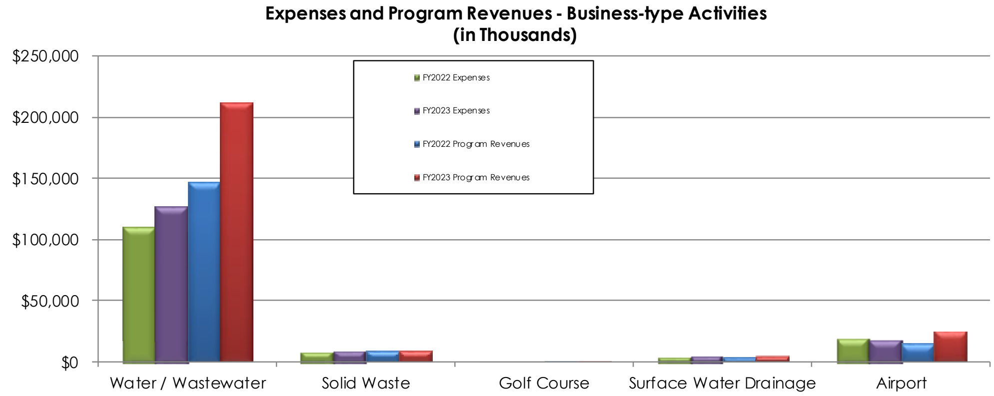
- The Water/Wastewater Fund's operating revenues increased by $14.1 million, or 10% as a result of adding approximately 1,800 new customer accounts.
- The Water/Wastewater Fund received capital contributions of $58.8 million relating to continued development in the City.
- The Airport Fund received intergovernmental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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: 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

<u>*Sales Tax Revenue Bonds*</u>

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.

Financial Advisory Services
Provided By

ESTRADA HINOJOSA
INVESTMENT BANKERS