OFFICIAL STATEMENT
Dated June 10, 2021

NEW ISSUE – 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 2021A Bonds (defined below) will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS 2021A" herein.

CITY OF McKINNEY, TEXAS
(Collin County)

$16,850,000
General Obligation Bonds, Series 2021A

Dated Date: June 1, 2021
Interest Accrual Date: Date of Delivery **Due: August 15, As shown on next page**

The City of McKinney, Texas (the "City" or "Issuer") $16,850,000 General Obligation Bonds, Series 2021A (the "2021A 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 and sale (the "2021A Bond Ordinance") adopted by the City Council of the City (the "City Council") on May 4, 2021.

In the 2021A Bond Ordinance, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the 2021A Bonds, and to establish certain terms related to the issuance and sale of the 2021A Bonds. The terms of sale will be included in the "2021A Pricing Certificate" relating to the 2021A Bonds which was executed by a Pricing Officer and completed the sale of the 2021A Bonds (the 2021A Bond Ordinance as supplemented by the 2021A Pricing Certificate, is referred to as the "2021A Ordinance"). (See "THE BONDS – Authority for Issuance" herein.)

The 2021A Bonds 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. (See "SECURITY" herein.)

Interest on the 2021A Bonds accrues from the Date of Delivery (defined herein). Interest on the 2021A Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive 2021A Bonds 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 The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Initial Purchasers of the 2021A Bonds ("Beneficial Owners") will not receive physical delivery of the securities representing their interest in the 2021A Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the 2021A Bonds will be payable by U.S. Bank National Association, 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 2021A Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the 2021A Bonds will be used to (i) to make various permanent public improvements for the City, and (ii) pay the costs related to the issuance of the 2021A Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Maturity Schedule on Inside Cover Page

The 2021A Bonds are being offered by the City concurrently with its $14,225,000 City of McKinney, Texas, General Obligation Refunding Bonds, Taxable Series 2021B (the "2021B Bonds"), under a common Official Statement. The 2021A Bonds and the 2021B Bonds are hereinafter sometimes collectively referred to as the "Bonds". The 2021A Bonds and the 2021B Bonds are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and while the Bonds 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.

The 2021A Bonds are offered for delivery when, as and if issued, and received by the 2021A Initial Purchaser, (as defined herein) subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Legal Opinions of Bond Counsel").

The 2021A Bonds are expected to be available for initial delivery through the services of DTC on or about July 7, 2021 (the "Date of Delivery").

$ 16,850,000
General Obligation Bonds, Series 2021A

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

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

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix
8/15/2022	$ 450,000	5.000%	0.060%	CY1
8/15/2023	550,000	5.000%	0.100%	CZ8
8/15/2024	575,000	5.000%	0.210%	DA2
8/15/2025	605,000	5.000%	0.340%	DB0
8/15/2026	635,000	5.000%	0.440%	DC8
8/15/2027	665,000	5.000%	0.570%	DD6
8/15/2028	700,000	5.000%	0.690%	DE4
8/15/2029	735,000	5.000%	0.820%	DF1
8/15/2030	770,000	5.000%	0.950%	DG9
8/15/2031	810,000	5.000%	1.020% [(2)]	DH7
8/15/2032	850,000	5.000%	1.050% [(2)]	DJ3
8/15/2033	895,000	5.000%	1.080% [(2)]	DK0
8/15/2034	940,000	5.000%	1.110% [(2)]	DL8
8/15/2035	985,000	5.000%	1.140% [(2)]	DM6
8/15/2036	1,035,000	5.000%	1.170% [(2)]	DN4
8/15/2037	1,085,000	2.000%	1.770% [(2)]	DP9
8/15/2038	1,110,000	2.000%	1.800% [(2)]	DQ7
8/15/2039	1,130,000	2.000%	1.830% [(2)]	DR5
8/15/2040	1,150,000	2.000%	1.870% [(2)]	DS3
8/15/2041	1,175,000	2.000%	1.900% [(2)]	DT1

(Interest to accrue from the Date of Delivery)

The City reserves the right to redeem the 2021A Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions" herein.). The 2021A Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See "THE BONDS – Mandatory Sinking Fund Redemption."

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(1) CUSIP numbers are included solely for the convenience of owners of the 2021A Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2030, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

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OFFICIAL STATEMENT
Dated June 10, 2021

NEW ISSUE – Book-Entry-Only

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

Interest on the 2021B Bonds (defined below) will not be excludable from gross income for federal income tax purposes under existing law, see "TAX MATTERS 2021B" herein.

CITY OF McKINNEY, TEXAS
(Collin County)

$14,225,000
General Obligation Refunding Bonds, Taxable Series 2021B

Dated Date: June 1, 2021
Interest Accrual Date: Date of Delivery **Due: August 15, As shown on next page**

The City of McKinney, Texas (the "City" or "Issuer") $14,225,000 General Obligation Refunding Bonds, Taxable Series 2021B (the "2021B Bonds" and together with the "2021A Bonds", the "Bonds"). The 2021B 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 and sale (the "2021B Bond Ordinance") adopted by the City Council of the City (the "City Council") on May 4, 2021.

In the 2021B Bond Ordinance, the City Council delegated to a designated officer of the City (a "Pricing Officer"), the authority to effect the sale of the 2021B Bonds, and to establish certain terms related to the issuance and sale of the 2021B Bonds. The terms of sale will be included in the "2021B Pricing Certificate" relating to the 2021B Bonds which was executed by a Pricing Officer and completed the sale of the 2021B Bonds (the 2021B Bond Ordinance as supplemented by the 2021B Pricing Certificate, is referred to as the "2021B Ordinance"). (See "THE BONDS – Authority for Issuance" herein.)

The 2021B Bonds 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. (See "SECURITY" herein.)

Interest on the 2021B Bonds accrues from the Date of Delivery (defined herein). Interest on the obligations will be payable on February 15 and August 15 of each year, commencing August 15, 2021, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive 2021B Bonds 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 The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the 2021B Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Initial Purchasers of the 2021B Bonds ("Beneficial Owners") will not receive physical delivery of the securities representing their interest in the 2021B Bonds purchased. So long as DTC or its nominee is the registered owner of the 2021B Bonds, the principal of and interest on the 2021B Bonds will be payable by U.S. Bank National Association, 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 2021B Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the 2021B Bonds will be used to (i) refund certain outstanding obligations of the City (the "Refunded Obligations"), as more particularly described in "SCHEDULE I – Schedule of Refunded Obligations," to achieve debt service savings, and (ii) pay the costs related to the issuance of the 2021B Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Maturity Schedule on Next Page

The 2021B Bonds are being offered by the City concurrently with its $16,850,000 City of McKinney, Texas, General Obligation Bonds, Series 2021A (the "2021A Bonds"), under a common Official Statement. The 2021B Bonds and the 2021A Bonds are hereinafter sometimes collectively referred to as the "Bonds". The 2021B Bonds and the 2021A Bonds are separate and distinct securities offerings being issued and sold independently except for this common Official Statement, and while the Bonds 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.

The 2021B Bonds are offered for delivery when, as and if issued, and received by the 2021B Initial Purchaser, (as defined herein) subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Legal Opinions of Bond Counsel").

The 2021B Bonds are expected to be available for initial delivery through the services of DTC on or about July 7, 2021 (the "Date of Delivery").

$14,225,000
General Obligation Refunding Bonds, Taxable Series 2021B

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

Base CUSIP [1] No.: 58178C

Maturity (August 15)	Principal Amount	Interest Rate	Yield	CUSIP[1] Suffix
8/15/2021	$ 245,000	2.000%	0.080%	DU8
8/15/2022	160,000	2.000%	0.100%	DV6
8/15/2023	440,000	2.000%	0.160%	DW4
8/15/2024	1,015,000	2.000%	0.350%	DX2
8/15/2025	1,040,000	2.000%	0.600%	DY0
8/15/2026	1,055,000	2.000%	0.850%	DZ7
8/15/2027	1,075,000	1.100%	1.100%	EA1
8/15/2028	1,090,000	1.350%	1.350%	EB9
8/15/2029	1,100,000	1.450%	1.450%	EC7
8/15/2030	1,120,000	1.550%	1.550%	ED5
8/15/2031	1,135,000	1.650%	1.650%	EE3
8/15/2032	1,160,000	1.750%	1.750%	EF0
8/15/2033	1,170,000	1.850%	1.850%	EG8
8/15/2034	1,195,000	1.950%	1.950%	EH6
8/15/2035	1,225,000	2.000%	2.000%	EJ2

(Interest to accrue from the Date of Delivery)

The City reserves the right to redeem the 2021B Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions" herein.). The 2021B Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See "THE BONDS – Mandatory Sinking Fund Redemption."

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(1) CUSIP numbers are included solely for the convenience of owners of the 2021B Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF McKINNEY, TEXAS

Elected Officials

City Council	Occupation	Length of Service	Term Expires
George C. Fuller, Mayor	Builder	4 Years	2025
Rick Franklin, Council Member	Real Estate Broker	2 Years	2023
Rainey Rogers, Mayor Pro Tem	Wealth Manager	6 Years	2023
Frederick Frazier, Council Member	Police Officer	2 Years	2023
Charlie Philips, Council Member	Attorney	4 Years	2025
Geré Feltus, Council Member	Physician	Newly Elected	2025
Justin Beller, Council Member	Banker	Newly Elected	2025

Appointed Officials

Name	Position	Length of Service to McKinney	Governmental Service
Paul Grimes	City Manager	5 Years	23 Years
Barry Shelton	Assistant City Manager	16 Years	22 Years
Steve Tilton	Assistant City Manager	4 Years	21 Years
Kim Flom	Assistant City Manager	2 Years	16 Years
Mark Holloway	Chief Financial Officer	8 Years	20 Years
Empress Drane	City Secretary	16 Years	18 Years

Consultants and Advisors

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

For additional information contact:

Mr. Mark Holloway
Chief Financial Officer
City of McKinney
222 N. Tennessee
McKinney, TX 75069
(972) 547-7536

Mr. Dave Gordon
Senior Managing Director
Estrada Hinojosa & Company, Inc.
600 N. Pearl Street
Suite 2100, South Tower
Dallas, TX 75201
(214) 658-1670

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No dealer, broker, salesman, 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, its financial advisor, or the Initial Purchasers.

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

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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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 FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER PERTINENT INFORMATION – FORWARD-LOOKING STATEMENTS."

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 ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer.. The City of McKinney, Texas (the "City" or "Issuer"), located in Collin County, is a political subdivision of the State of Texas and operates under a Mayor-Council-Manager form of government with a City Council comprised of seven members, including the Mayor. (See APPENDIX B - "General Information Regarding the City of McKinney and Collin County" herein.)

The 2021A Bonds........................... The City of McKinney, Texas $16,850,000 General Obligation Bonds, Series 2021A will be issued as serial bonds maturing on August 15 in each of the years 2022 through 2041.

The 2021B Bonds........................... The City of McKinney, Texas $14,225,000 General Obligation Refunding Bonds, Taxable Series 2021B will be issued as serial and/or term bonds maturing on August 15 in each of the years 2021 through 2035.

The 2021C Bonds........................... The City of McKinney, Texas $38,430,000* General Obligation Bonds, Series 2021C (the "2021C Bonds") will be issued as serial and/or term bonds maturing on August 15 in each of the years 2022 through 2035. The City expects to sell the 2021C Bonds under a separate preliminary official statement on June 17, 2021.

Authority for Issuance .... The Bonds are issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1207, 1331 and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and the 2021A Bond Ordinance and the 2021B Bond Ordinance, each adopted by the City Council on May 4, 2021. In the 2021A Bond Ordinance, and the 2021B Bond Ordinance, respectively, the City Council delegated to a designated officer of the City (a "Pricing Officer"), pursuant to certain provisions of Texas Government Code, Chapter 1371, as amended, the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale will be included in the "2021A Pricing Certificate" relating to the 2021A Bonds and a "2021B Pricing Certificate with respect to the other 2021B Bonds, each of which will be executed by a Pricing Officer to complete the sale of the respective series of Bonds (the 2021A Bond Ordinance as supplemented by the 2021A Pricing Certificate is referred to as the "2021A Ordinance" and the 2021B Bond Ordinance as supplemented by the 2021B Pricing Certificate is referred to as the "2021B Ordinance" and the 2021A Ordinance and the 2021B Ordinance are sometimes jointly referred to herein as the "Ordinance"). (See "THE BONDS - Authority for Issuance" herein.)

Paying Agent/Registrar................. The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas.

Security.. The Bonds 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. (See "SECURITY" herein.)

Redemption .... The City reserves the right to redeem the 2021A Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions" herein.) The 2021A Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See "THE BONDS – Mandatory Sinking Fund Redemption."

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* Preliminary, subject to change

The City reserves the right to redeem the 2021B Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS – Redemption Provisions" herein.) The 2021B Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchasers elect to aggregate two or more of the maturities as a term bond. See "THE BONDS – Mandatory Sinking Fund Redemption."

Tax Matters.................................... Interest on the 2021A Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, subject to the matters described under "TAX MATTERS 2021A" herein.

Interest on the 2021B Bonds is <u>not</u> excludable from the gross income of the owners thereof for federal income tax purposes, see "TAX MATTERS 2021B" herein.

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

Use of Proceeds................................ Proceeds from the sale of the 2021A Bonds will be used to (i) to make various permanent public improvements for the City, and (ii) pay the costs related to the issuance of the 2021A Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Proceeds from the sale of the 2021B Bonds will be used to (i) to refund certain outstanding obligations of the City (the "Refunded Obligations"), as more particularly described in "SCHEDULE I – Schedule of Refunded Obligations," to achieve debt service savings, and (ii) pay the costs related to the issuance of the 2021B Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Ratings.. The Bonds have been rated Aaa 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 Investors Service, Inc. and "AAA (stable outlook)" by S&P Global Ratings, a division of S&P Global Inc. (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 Bonds will be available for delivery through DTC on or about July 7, 2021.

Legality... Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT

Relating to

CITY OF McKINNEY, TEXAS
(Collin County)

$16,850,000
General Obligation Bonds, Series 2021A

$14,225,000
General Obligation Refunding Bonds, Taxable Series 2021B

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the City of McKinney, Texas $16,850,000 General Obligation Bonds, Series 2021A (the "2021A Bonds") and $14,225,000 General Obligation Refunding Bonds, Taxable Series 2021B (the "2021B Bonds" and together with the "2021A Bonds", the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1207, 1331 and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and ordinances authorizing their issuance and sale (the "2021A Bond Ordinance" and the "2021B Bond Ordinance", respectively) adopted by the City Council of the City (the "City Council") on May 4, 2021. In the 2021A Bond Ordinance and the 2021B Bond Ordinance the City Council delegated to a designated officer of the City (a "Pricing Officer"), pursuant to certain provisions of Texas Government Code, Chapter 1371, as amended, the authority to effect the sale of the Bonds, and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale were included in the "2021A Pricing Certificate" relating to the 2021A Bonds and the "2021B Pricing Certificate" relating to the 2021B Bonds which were executed by a Pricing Officer and which were completed the sale of the Bonds (the 2021A Bond Ordinance, as supplemented by the 2021A Pricing Certificate is referred to as the " 2021A Ordinance" and the 2021B Bond Ordinance, as supplemented by the 2021B Pricing Certificate is referred to as the "2021B Ordinance", and the 2021A Ordinance and the 2021B Ordinance are sometimes collectively referred to as the "Ordinance"). (See "THE BONDS – Authority for Issuance" herein.)

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

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

PLAN OF FINANCING

Purpose of Financing

Proceeds from the sale of the 2021A Bonds will be used to (i) to make various permanent public improvements for the City, and (ii) pay the costs related to the issuance of the 2021A Bonds.

Proceeds from the sale of the 2021B Bonds will be used to (i) refund certain outstanding obligations of the City (the "Refunded Obligations"), as more particularly described in "SCHEDULE I – Schedule of Refunded Obligations," to achieve debt service savings, and (ii) pay the costs related to the issuance of the 2021B Bonds.

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations set forth in Schedule I hereto, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association, Dallas, Texas (the "Escrow Agent"). The 2021B Bond Ordinance provides that from the proceeds of the sale of the 2021B Bonds received from the 2021B Initial Purchasers together with the City's contribution, if any, the City will deposit with the Escrow Agent for the Refunded Obligations the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the Escrow Agent in a special account used to defease and redeem the Refunded Obligations on their redemption date.

The issuance of the 2021B Bonds will be subject to delivery by Ritz & Associates PA, certified public accountants (the "Accountants"), of a report of the mathematical accuracy of certain computations (the "Report). In the Report, the Accountants will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the cash deposits listed in the schedules provided by Estrada Hinojosa & Company, Inc., to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds.

See "OTHER PERTINENT INFORMATION - Verification Agent" herein.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Verification Report and Escrow Agreement, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Escrow Agent for the Refunded Obligations and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

Sources and Uses of Funds

The proceeds of the 2021A Bonds will be applied substantially as follows:

Sources:	
Par Amount of the 2021A Bonds	$ 16,850,000.00
Premium	3,261,312.50
Total Sources of Funds	$ 20,111,312.50
Uses:	
Deposit to Project Fund	$ 19,950,000.00
Costs of Issuance	113,233.89
Underwriter's Discount	48,078.61
Total Uses of Funds	$ 20,111,312.50

The proceeds of the 2021B Bonds and other available funds of the City, if any, will be applied substantially as follows

Sources:	
Par Amount of the 2021B Bonds	$ 14,225,000.00
Premium, if any	$ 191,966.10
Total Sources of Funds	$ 14,416,966.10
Uses:	
Deposit to Escrow Fund	$ 14,286,145.25
Costs of Issuance	113,039.60
Underwriter's Discount	17,781.25
Total Uses of Funds	$ 14,416,966.10

THE BONDS

General

The Bonds are dated June 1, 2021, but interest will accrue on the Bonds from the date of their initial delivery, anticipated to be July 7, 2021 (the "Date of Delivery"). The Bonds are stated to mature on August 15 in the years and in the principal amounts set forth on the inside cover page hereof with respect to the 2021A Bonds and the page v with respect to the 2021B Bonds. The Bonds shall bear interest on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the 2021A Bonds will be payable on February 15, commencing on February 15, 2022. Interest on the 2021B Bonds will be payable on August 15 of each year, commencing August 15, 2021 until maturity or prior redemption. The definitive Bonds will be issued as fully registered Bonds in book-entry only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Initial Purchasers of Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by U.S. Bank National Association, Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event the Book-Entry-Only System should be discontinued, interest will be paid by check mailed by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar at its designated office.

Authority for Issuance

The Issuer is a political subdivision of the State of Texas and operates under the statutes and the Constitution of the State of Texas and its home rule charter. The Bonds are issued pursuant to the Constitution and laws of the State of Texas, including Chapters 1207, 1331 and 1371, Texas Government Code, as amended, the City's Home-Rule Charter, and the 2021A Bond Ordinance and the 2021B Bond Ordinance adopted by the City Council of the City on May 4, 2021. In the 2021A Bond Ordinance and the 2021B Bond Ordinance, respectively, the City Council delegated to a Pricing Officer, pursuant to certain provisions of Texas Government Code, Chapter 1371, as amended, the authority to effect the sale of the Bonds, and to establish certain terms related to the issuance and sale of the Bonds. The terms of sale will be included in the 2021A Pricing Certificate and the 2021B Pricing Certificate which will be executed by a Pricing Officer and which will complete the sale of the Bonds.

Redemption Provisions

The City reserves the right to redeem the 2021A Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest.

The City reserves the right to redeem the 2021B Bonds maturing on and after August 15, 2031 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030 or any date thereafter, at the redemption price of par plus accrued interest.

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

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

With respect to any optional redemption of the 2021A Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the 2021A Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption and if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem the 2021A Bonds, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

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

Mandatory Sinking Fund Redemption

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

Payment Record

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

Legality

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

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money in an amount sufficient to make such payment or (2) Government Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money together with moneys deposited therewith, if any, to make such payment. The 2021A Bond Ordinance and the 2021B Bond Ordinance provides that "Government Securities" means (A) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (C) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (D) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas. The City may modify the definition of Government Securities in the 2021A Pricing Certificate and the 2021B Pricing Certificate. There is no assurance that the current law will not be changed in a manner that would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Securities will be maintained at any particular rating category.

Amendments

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

SECURITY

The Bonds 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.

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 Bonds, 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.

REGISTERED OWNERS' REMEDIES

If the City defaults in the payment of principal or interest on the Bonds when due, or if it fails to make payments into any fund or funds created in the 2021A Bond Ordinance and the 2021B Bond Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bonds do not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Bonds, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity pursuant to Chapter 1371. As a result, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

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

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, 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 Bonds 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 remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the last business day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for

30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

General

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

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

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

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

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

Current Investments

As of March 31, 2021, the City had approximately $ 459,283,121 in municipal investment pools, $ 88,101,000 in U.S. Government and Agency Securities, $ 425,000 in municipal bonds, $ 500,000 in certificates of deposit, and $ 57,587,948 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 100% 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.

PROPERTY TAX INFORMATON

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. Reference is made to 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.

Property Tax Code and Countywide Appraisal District

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 (the "Appraisal District") and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The City is a member of the Collin Central Appraisal District. Except as 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, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used.

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 for the most recent tax year that market value was determined by the Appraisal District; 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 "Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation attributable to the Homestead Cap.

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. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation attributable to valuation by productivity value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board, whose members are appointed by the Board of Directors of the Appraisal District. Such 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. The Appraisal District is required to review the value of property within the Appraisal District at least every three 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 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. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

Local Option Homestead Exemptions

The governing body of a taxing unit, such as the City, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000); and (2) an additional exemption of the market value of the homesteads of persons 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. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation attributable to local option homestead exemptions.

Local Option Freeze for the Elderly and Disabled

The governing body of a county, city 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. 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. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Non-business Personal Property

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.

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.

Freeport Exemptions

Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "APPENDIX A – FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

Economic Development

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, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ as specified in Chapter 311, Texas Government Code, as stated. 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 "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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. See "APPENDIX A – ASSESSED VALUATION" for the reduction in taxable valuation attributable to tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, see "PROPERTY TAX INFORMATION – City Application of Property Tax Code" herein.

The City is authorized, pursuant to Texas Local Government Code, Chapter, 380, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Historic Neighborhood Improvement Zones

The City is authorized to create historic neighborhood improvement zones 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.

Issuer and Taxpayer Remedies

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

Beginning in the 2020 tax year, 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 $50 million for the 2020 tax 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 Issuer and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "PROPERTY TAX INFORMATION – 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 Issuer 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 Issuer. 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. The Issuer does not permit split payments, and discounts are not allowed.

Issuer's Right In the Event of Tax Delinquencies

Taxes levied by the Issuer 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 Issuer, having power to tax the property. The Issuer'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 Issuer 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 Issuer 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 Issuer 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, 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 Operation 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.

"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).

"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 cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"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 delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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 Bonds.
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 Issuer is subject to the assessment, levy and collection by the Issuer 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 Issuer, 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's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. Except with respect to taxpayers who are 65 years of age or older, 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, by the effects of market conditions on the foreclosure sale price, by 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 by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

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 $65,000 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 2018, there is approximately $192,870 million of "captured" appraised value in the TIRZs, representing $1,041,882 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 "PROPERTY TAX INFORMATION – Tax Abatement Agreements". See "APPENDIX A – FINANCIAL INFORMATION PURTAINING 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 PURTAINING TO GENERAL OBLIGATION DEBT" for the reduction in taxable valuation attributable to tax exemptions for historic home improvements in the zone.

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 Bonds. 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 888 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 (CAFR) that can be obtained at www.tmrs.com.

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

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

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2020, the City and its component units made contributions of $13,332,675 or 14.95% of covered payroll.

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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 12month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Other Post-Employment Benefits

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

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

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

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was $2,169,408 and $(767), 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, 2020, the City had accrued compensated absence liability of approximately $15,681,329.

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 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 2021A

Tax Exemption

The delivery of the 2021A Bonds is subject to the opinions of Bond Counsel to the effect that interest on the 2021A Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such 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 2021A Bonds. 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 as 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 2021A Bonds pertaining to the use, expenditure, and investment of the proceeds of the 2021A Bonds, and will assume continuing compliance by the City with the provisions of the 2021A Ordinance after the issuance of the 2021A Bonds. The 2021A Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced with the 2021A Bonds by persons other than state or local governmental units, the manner in which the proceeds of the 2021A Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the 2021A Bonds to be includable in the gross income of the owners of the 2021A Bonds from the date of the issuance of the 2021A Bonds.

Bond Counsel's opinions are not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service ("IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's 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 2021A Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the 2021A Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2021A Bonds, the City may have different or conflicting interests from the owners of the 2021A Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the 2021A Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinions with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the 2021A Bonds should be aware that the ownership of tax-exempt obligations such as the 2021A 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, 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.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the 2021A Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2021A Bonds. Prospective purchasers of the 2021A Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain 2021A Bonds

The initial public offering price of certain 2021A Bonds (the "Discount 2021A Bonds") may be less than the amount payable on such 2021A Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount 2021A Bond (assuming that a substantial amount of the Discount 2021A Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the of such Discount 2021A Bond. A portion of such original issue discount allocable to the holding period of such Discount 2021A Bond by the will, upon the disposition of such Discount 2021A Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2021A Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount 2021A Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount 2021A Bond and generally will be allocated to an 2021A initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the 2021A 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, 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 2021A 2021A Bond by the initial owner before maturity, the amount realized by such owner in excess of the basis of such Discount 2021A Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount 2021A Bond was held) is includable in gross income.

Owners of Discount 2021A Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount 2021A Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount 2021A Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain 2021A Bonds (the "Premium 2021A Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium 2021A Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium 2021A Bond in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium 2021A Bond. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the 2021A Bond).

Purchasers of the Premium 2021A Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

TAX MATTERS 2021B

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2021B Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2021B Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the 2021B Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the 2021B Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and acquire such 2021B Bonds for investment and not as a dealer or for resale. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2021B BONDS.

Payments of Stated Interest on the 2021B Bonds

The stated interest paid on the 2021B Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount

If a substantial amount of the 2021B Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity by more than one quarter of one percent times the number of complete years to maturity, the 2021B Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the stated redemption price at maturity of such 2021B Bonds over its Issue Price, and the amount of the original issue discount on the 2021B Bonds will be amortized over the life of the 2021B Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the 2021B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the 2021B Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.
The amount of the original issue discount that accrues on the 2021B Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the 2021B Bonds will increase the adjusted tax basis of the 2021B Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a 2021B Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the 2021B Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the 2021B Bond and may offset interest otherwise required to be included in respect of the 2021B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2021B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2021B Bond. However, if the 2021B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2021B Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2021B Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the 2021B Bonds as well as gain on the sale of a 2021B Bond.

Disposition of 2021B Bonds and Market Discount

A beneficial owner of 2021B Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 2021B Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the 2021B Bonds. Generally, the beneficial owner's adjusted tax basis in the 2021B Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the 2021B Bonds.

Under current law, a purchaser of a 2021B Bond who did not purchase the 2021B Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the 2021B Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the 2021B Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the 2021B Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2021B Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of 2021B Bonds could have a material effect on the market value of the 2021B Bonds.

Legal Defeasance

If the City elects to defease the 2021B Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2021B Bonds (a "legal defeasance"), under current tax law, a beneficial owner of 2021B Bonds may be deemed to have sold or exchanged its 2021B Bonds. In the event of such a legal defeasance, a beneficial owner of 2021B Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2021B Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2021B Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the 2021B Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the 2021B Bonds. This withholding applies if such beneficial owner of 2021B Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding. Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2021B Bonds. Beneficial owners of the 2021B Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the 2021B Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2021B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the 2021B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2021B Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2021B Bonds and sales proceeds of 2021B Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners with respect to the 2021B Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a 2021B Bond for U.S. federal income tax purposes.

CONTINUING DISCLOSURE OF INFORMATION

In each Ordinance, the Issuer has made the following continuing disclosure agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the respective series of agreements, 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 or after 2021 and the information included within Appendix D within 12 months after the end of each fiscal year ending in or after 2021. 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 and the audited financial statements if and when 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 each series of the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance make any provision for 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 shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule and the City intends the other words used in such clauses to have the meanings ascribed to them in SEC Release No 34-83885, dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification

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

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

Legal Opinions

The City will furnish the 2021A Initial Purchaser and the 2021B Initial Purchaser, complete transcripts of proceedings had incident to the authorization and issuance of the 2021A Bonds and 2021B Bonds, respectively, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial 2021A Bond and Initial 2021B Bond and to the effect that each series of the Bonds are valid and legally binding obligations of the City and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the 2021A Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the City as described under "OTHER PERTINENT INFORMATION - Certification of the Official Statement" will also be furnished to the 2021A Initial Purchaser and 2021B Initial Purchaser. Though it represents the Financial Advisor and investment banking firms such as the 2021A Initial Purchaser and 2021B Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds.

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

Verification Agent

The issuance of the 2021B Bonds will be subject to delivery by Ritz & Associates PA, certified public accountants (the "Accountants"), of a report of the mathematical accuracy of certain computations (the "Report"). In the Report, the Accountants will verify from the information provided to them the mathematical accuracy as of the date of the closing on the 2021B Bonds of the computations contained in the provided schedules to determine that the cash deposits listed in the schedules provided by Estrada Hinojosa & Company, Inc., to be held in the Escrow Fund, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Obligations.

Ratings

The Bonds 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 rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the 2021A Initial Purchaser and the 2021B Initial Purchaser will each be furnished a certificate, executed by an authorized officer of the City acting in such official's official capacity, to the effect that to such official's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds 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, the 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the 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 the date of the last audited financial statements of the City.

Financial Advisor

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

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

Initial Purchaser of the 2021A Bonds

After requesting competitive bids for the 2021A Bonds, the City accepted the bid of BOK Financial Securities, Inc. (the "2021A Initial Purchaser") to purchase the 2021A Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of 119.0696% of par. The 2021A Initial Purchaser can give no assurance that any trading market will be developed for the 2021A Bonds after their sale by the City to the 2021A Initial Purchaser. The City has no control over the price at which the 2021A Bonds are subsequently sold and the initial yield at which the 2021A Bonds will be priced and reoffered will be established by and will be the responsibility of the 2021A Initial Purchaser.

Initial Purchaser of the 2021B Bonds

After requesting competitive bids for the 2021B Bonds, the City accepted the bid of SAMCO Capital Markets (the "2021B Initial Purchaser") to purchase the 2021B Bonds at the interest rates shown on the fifth page of the Official Statement at a price of 101.2245 % of par. The 2021B Initial Purchaser can give no assurance that any trading market will be developed for the 2021B Bonds after their sale by the City to the 2021B Initial Purchaser. The City has no control over the price at which the 2021B Bonds are subsequently sold and the initial yield at which the 2021B Bonds will be priced and reoffered will be established by and will be the responsibility of the 2021B Initial Purchaser.

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.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. On March 2, 2021, the Governor Abbott issued Executive Order GA-34, which supersedes and rescinds Executive Orders GA-17, GA-25, GA-29, GA-31 and GA-32 but not GA-10 or GA-13. GA-34 will remain in effect and in full force unless it is modified, amended, rescinded or superseded by the governor. GA-34 orders that, effective at 12:01 a.m. on March 10, 2021, in all counties not in an area with high hospitalizations, as defined in GA-34, there are no COVID-19 related operating limits for any business or other establishment although individuals are strongly encouraged to wear face coverings when it is not feasible to maintain six feet of social distancing from another person not in the same household, but no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. A current list of areas of high hospitalizations can be found at www.dshs.texas.gov/ga3031. Nothing in GA-34 precludes businesses or other establishments from requiring employees or customers to follow additional hygiene measures, including wearing of a face covering. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

In addition to the actions by the state and federal officials, certain local officials, including the City, previously declared a local state of disaster and public health emergency and in many instances have issued “shelter-in-place” orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders have focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or negatively affect property values and/or the collection of ad valorem tax revenues within the City. The Bonds are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City’s operations and maintenance expenses. See "TAX INFORMATION”.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect of a material nature on the City’s operations and financial condition.

2021 Texas Legislative Session . . . The Texas Legislature commenced its 87th Regular Legislative Session on January 12, 2021, and that session (the “87th Session”) must conclude by May 31, 2021. During the 87th Session, legislation potentially affecting the levy and collection of taxes within the City may be introduced, but the City is unable to predict whether any such legislation will be enacted during the 87th Session.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the City’s records, audited financial statements and other sources, which are believed to be reliable. The City did not request BKD, LLP perform any updating procedures subsequent to the date of its audit report on the September 30, 2019 financial statements. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

This Official Statement will be approved by the Pricing Officer of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission’s rule codified at 17 C.F.R. Section 240.15c2-12 as part of the 2021A Pricing Certificate and 2021B Pricing Certificate

Mark Holloway
Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Bond		Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Tax & Ltd Pledge Hotel Occupancy Tax Rev C/O Taxable Ser 2013						
	Serials	8/15/2023	2.630%	$ 275,000	2/15/2023	100.00
	Serials	8/15/2024	2.780%	280,000	2/15/2023	100.00
	Serials	8/15/2025	2.980%	290,000	2/15/2023	100.00
	Serials	8/15/2026	3.130%	295,000	2/15/2023	100.00
	Serials	8/15/2027	3.280%	305,000	2/15/2023	100.00
	Serials	8/15/2028	3.380%	315,000	2/15/2023	100.00
	Term	8/15/2029	4.000%	325,000	2/15/2023	100.00
	Term	8/15/2030	4.000%	340,000	2/15/2023	100.00
	Term	8/15/2031	4.000%	355,000	2/15/2023	100.00
	Term	8/15/2032	4.000%	370,000	2/15/2023	100.00
	Term	8/15/2033	4.000%	380,000	2/15/2023	100.00
	Term	8/15/2034	4.000%	395,000	2/15/2023	100.00
	Term	8/15/2035	4.000%	415,000	2/15/2023	100.00
				$ 4,340,000		
Tax & Ltd Pledge Airpt Rev C/O Taxable Ser 2013						
	Serials	8/15/2024	3.784%	$ 570,000	8/15/2023	100.00
	Serials	8/15/2025	3.984%	590,000	8/15/2023	100.00
	Serials	8/15/2026	4.084%	615,000	8/15/2023	100.00
	Serials	8/15/2027	3.984%	635,000	8/15/2023	100.00
	Serials	8/15/2028	4.284%	665,000	8/15/2023	100.00
	Term	8/15/2029	4.591%	690,000	8/15/2023	100.00
	Term	8/15/2030	4.591%	725,000	8/15/2023	100.00
	Term	8/15/2031	4.791%	755,000	8/15/2023	100.00
	Term	8/15/2032	4.791%	795,000	8/15/2023	100.00
	Term	8/15/2033	4.841%	830,000	8/15/2023	100.00
	Term	8/15/2034	4.841%	870,000	8/15/2023	100.00
	Term	8/15/2035	4.841%	915,000	8/15/2023	100.00
				$ 8,655,000		

APPENDIX A

FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT

FINANCIAL INFORMATION PERTAINING TO GENERAL OBLIGATION DEBT

Assessed Valuation [1]

2020/2021 Actual Market Value of Taxable Property		$ 25,128,227,511
Less Exemptions:		
Local Over Age 65 or Disabled Exemption Loss	$ 577,961,538	
Productivity Value Loss	741,356,752	
Freeport Exemption Loss	192,739,147	
Abatement Value Loss	-	
Disabled Veterans Homestead Loss	117,444,506	
Veterans Exemption Loss	8,686,170	
Historical Exemption Loss	32,720,258	
Homestead 10% Cap	44,824,659	
Pollution Control Exemption Loss	4,030,669	
Solar/Wind Exemption Loss	1,893,084	$ 1,721,656,783
2020/2021 Net Taxable Assessed Valuation (100% of Actual)		$ 23,406,570,728

[1] Source: Collin County Appraisal District. As of the date of certification by the Collin County Appraisal District.

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General Obligation Bonded Debt

General Obligation Refunding Bonds, Series 2012	$ 4,330,000	
General Obligation Refunding Bonds, Series 2013	6,780,000	
Tax and Ltd Pledge Hotel Occupancy Tax Revenue Certificates of Obligation, Series 2013	525,000	(1)
Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2013	1,595,000	(1)
General Obligation and Refunding Bonds, Series 2014	14,960,000	
General Obligation Refunding Bonds, Taxable Series 2014	3,215,000	
Tax and Limited Pledge Hotel Occupancy Tax Revenue Certificates of Obligation, Taxable Series 2014A	2,215,000	
Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2014B	495,000	
General Obligation Bonds, Series 2015	37,970,000	
General Obligation Refunding and Improvement Bonds, Series 2016	37,025,000	
General Obligation Refunding Bonds, Series 2017	10,465,000	
General Obligation Bonds, Series 2018	21,625,000	
Tax and Ltd Pledge WW and SS Revenue Certificates of Obligation Taxable, Series 2019	6,420,000	
General Obligation Refunding and Improvement Bonds, Series 2019	45,430,000	
General Obligation, Series 2020A	40,290,000	
General Obligation Refunding Bonds, Series 2020B	19,225,000	
Tax and Limited Pledge Airport Revenue Certificates of Obligation, Taxable Series 2020	8,085,000	
The 2021A Bonds	16,850,000	
The 2021B Bonds	14,225,000	
The 2021C Bonds	$ 38,430,000	(2)
Total Gross General Obligation Debt Outstanding	$ 330,155,000	(2)
Audited General Obligation Interest & Sinking Fund Balance	$ 6,147,185	
Net General Obligation Debt Outstanding	$ 324,007,815	

2021 Population	195,342
Per Capita 2020/2021 Net Assessed Valuation	119,824
Per Capita Gross General Obligation Debt	1,690
Per Capita Net General Obligation Debt	1,659

(1) Excludes the Refunded Obligations.
(2) The City expects to sell the 2021C Bonds on 6/17/21. Preliminary, subject to change.

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Pro Forma General Obligation Debt Service Requirements

Fiscal Year Ended 09/30	Outstanding General Obligation Debt [1]			The 2021A Bonds			The 2021B Bonds			The 2021C Bonds			Total Debt Service on General Obligation Debt Outstanding	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2021	$ 28,120,000	$ 11,462,820	$ 39,582,820	$ -	$ -	$ -	$ 245,000	$ 26,117	$ 271,117	$ -	$ -	$ -	$ 39,853,937	
2022	21,660,000	9,960,613	31,620,613	450,000	744,039	1,194,039	160,000	242,525	402,525	6,700,000	720,743	7,420,743	40,637,920	
2023	22,105,000	8,926,738	31,031,738	550,000	650,500	1,200,500	440,000	239,325	679,325	1,425,000	596,600	2,021,600	34,933,163	
2024	21,200,000	7,885,681	29,085,681	575,000	623,000	1,198,000	1,015,000	230,525	1,245,525	1,440,000	582,350	2,022,350	33,551,556	
2025	16,850,000	6,849,356	23,699,356	605,000	594,250	1,199,250	1,040,000	210,225	1,250,225	1,455,000	567,950	2,022,950	28,171,781	38.21%
2026	13,025,000	6,036,006	19,061,006	635,000	564,000	1,199,000	1,055,000	189,425	1,244,425	1,470,000	553,400	2,023,400	23,527,831	
2027	13,740,000	5,416,354	19,156,354	665,000	532,250	1,197,250	1,075,000	168,325	1,243,325	1,485,000	538,700	2,023,700	23,620,629	
2028	13,830,000	4,771,624	18,601,624	700,000	499,000	1,199,000	1,090,000	156,500	1,246,500	1,515,000	509,000	2,024,000	23,071,124	
2029	14,330,000	4,123,301	18,453,301	735,000	464,000	1,199,000	1,100,000	141,785	1,241,785	1,545,000	478,700	2,023,700	22,917,786	
2030	13,420,000	3,439,409	16,859,409	770,000	427,250	1,197,250	1,120,000	125,835	1,245,835	1,575,000	447,800	2,022,800	21,325,294	63.95%
2031	10,050,000	2,936,694	12,986,694	810,000	388,750	1,198,750	1,135,000	108,475	1,243,475	1,600,000	421,813	2,021,813	17,450,731	
2032	10,455,000	2,508,539	12,963,539	850,000	348,250	1,198,250	1,160,000	89,748	1,249,748	1,630,000	393,013	2,023,013	17,434,549	
2033	10,855,000	2,069,194	12,924,194	895,000	305,750	1,200,750	1,170,000	69,448	1,239,448	1,660,000	362,858	2,022,858	17,387,249	
2034	11,265,000	1,619,231	12,884,231	940,000	261,000	1,201,000	1,195,000	47,803	1,242,803	1,690,000	331,318	2,021,318	17,349,351	
2035	11,685,000	1,159,286	12,844,286	985,000	214,000	1,199,000	1,225,000	24,500	1,249,500	1,725,000	297,518	2,022,518	17,315,304	86.08%
2036	6,270,000	715,214	6,985,214	1,035,000	164,750	1,199,750	-	-	-	1,760,000	261,293	2,021,293	10,206,256	
2037	6,435,000	512,500	6,947,500	1,085,000	113,000	1,198,000	-	-	-	1,800,000	223,453	2,023,453	10,168,953	
2038	6,550,000	357,063	6,907,063	1,110,000	91,300	1,201,300	-	-	-	1,840,000	183,853	2,023,853	10,132,215	
2039	5,520,000	199,050	5,719,050	1,130,000	69,100	1,199,100	-	-	-	1,880,000	141,533	2,021,533	8,939,683	
2040	3,285,000	65,700	3,350,700	1,150,000	46,500	1,196,500	-	-	-	1,925,000	96,413	2,021,413	6,568,613	99.05%
2041	-	-	-	1,175,000	23,500	1,198,500	-	-	-	1,970,000	49,250	2,019,250	3,217,750	100.00%
	$ 260,650,000	$ 81,014,372	$ 341,664,372	$ 16,850,000	$ 7,124,189	$ 23,974,189	$ 14,225,000	$ 2,070,560	$ 16,295,560	$ 38,090,000	$ 7,757,553	$ 45,847,553	$ 427,781,674	

[1] Excludes the Refunded Bonds to be refunded by the 2021B Bonds.

Tax Adequacy [1]

Average Annual Requirement (2021 - 2041) ……………..…………….	$	20,416,238
A tax rate of $0.0829 per $100 assessed valuation produces ……….		20,416,238
Average Annual Requirement (10 year) (2021 - 2030) ……………….		29,197,097
A tax rate of $0.1186 per $100 assessed valuation produces ……….		29,197,097
Maximinum Annual Requirement (2022) ………………………………		40,564,155
A tax rate of $0.1647 per $100 assessed valuation produces ……….		40,564,155

(1) Includes the 2021C Bonds

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Authorized But Unissued General Obligation Bonds

Authorized But Unissued General Obligation Bonds

Purpose	Date Authorized	Amount Authorized	Previously Issued	The 2021A Bonds	The 2021C Bonds	Unissued Balance
Public Safety Facilities	11/3/2015	$ 22,500,000	$ 14,000,000	$ 3,200,000	$ -	$ 5,300,000
Street Improvements	11/3/2015	64,100,000	64,100,000	-	-	-
Municipal Building	11/3/2015	11,700,000	11,700,000	-	-	-
Drainage Improvements	11/3/2015	2,000,000	-	-	-	2,000,000
		$ 100,300,000	$ 89,800,000	$ 3,200,000	$ -	$ 7,300,000

Purpose	Date Authorized	Amount Authorized	Previously Issued	The 2021A Bonds	The 2021C Bonds	Unissued Balance
Public Safety	5/4/2019	$ 75,000,000	$ 14,750,000	$ -	$ -	$ 60,250,000
Municipal Complex Improvements	5/4/2019	50,000,000	8,000,000	-	-	42,000,000
Parks & Recreation	5/4/2019	91,000,000	8,000,000	-	38,000,000	45,000,000
Public Works	5/4/2019	34,000,000	6,000,000	7,750,000	-	20,250,000
Traffic	5/4/2019	100,000,000	9,700,000	9,000,000 (1)	-	81,300,000
		$ 350,000,000	$ 46,450,000	$ 16,750,000	$ 38,000,000	$ 248,800,000

(1) The 2021A Bond Premium is a part of the $9,000,000 traffic entry

Capital Improvement Plan and Proposed Issuance Schedule

The City annually includes in its budget, as a planning tool, a five-year general governmental and enterprise fund capital improvement plan (the "CIP"). The CIP is subject to adjustment, and will be affected by a variety of factors, including tax base changes, events effecting water supply and sewer service, including, particularly, the rates required to support such services, population growth and public support for governmental infrastructure and other facilities. The current CIP includes $550,131,275 of approved projects for fiscal years ending 2021 through 2025. Of the $550,131,275, approximately $119,585,000 is anticipated to be funded during this five-year period from the issuance of Revenue Bonds and $294,650,000 from the issuance of General Obligation Bonds/Certificates of Obligations. The current CIP includes the potential issuance of $110,950,000 and $141,700,000 in ad valorem tax-supported obligations, and $31,900,000 and $32,200,000 in water and sewer revenue bonds, in fiscal year 2021 and 2022, respectively, with the balance of the debt shown in the CIP issued in the later years covered by the CIP.

Overlapping Debt Data

Taxing Body		Gross Debt (as of 6/17/21)	Percent Overlapping		Amount Overlapping
McKinney ISD	$	488,540,000	98.618%	$	481,788,377
Collin College District		596,311,827	15.689%		93,555,363
Collin County		487,405,000	15.678%		76,415,356
Allen ISD		551,873,445	8.468%		46,732,643
Frisco ISD		1,991,221,492	14.972%		298,125,682
Melissa ISD		307,595,019	6.185%		19,024,752
Prosper ISD		924,423,391	25.572%		236,393,550
Lovejoy ISD		157,942,326	2.419%		3,820,625
Subtotal, overlapping debt	$	5,505,312,500		$	1,255,856,347
City of McKinney (1)	$	330,155,000	100%		330,155,000
Total Direct & Overlapping Debt				$	1,586,011,347

Ratio of Direct and Overlapping Debt to 2020/2021 Net Assessed Valuation		6.78%
Ratio of Direct and Overlapping Debt to 2020/2021 Market Valuation		6.31%
Per Capita Direct and Overlapping Debt	$	8,119

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Principal Taxpayers

Principal Taxpayers

Tax Year 2020 Top Ten Taxpayers (1)			
Name of Taxpayer	Type of Business	2020 Taxable Value	% of Net Valuation
Encore Wire Limited	Wire Cable Manufacturing	$269,516,658	1.16%
Raytheon (2)	Electronics Manufacturing	106,372,847	0.46%
Craig Ranch (2)	Apartments	104,141,000	0.45%
WRIA 14-7 LLC	Commercial Land	68,255,432	0.29%
NREA Retreat DST	Apartments	66,300,000	0.29%
TMK Properties LP	Insurance	65,656,916	0.28%
Fairways Wilson Creek Apartments LLC	Apartments	62,661,410	0.27%
West Eldorado TX Partners LLC	Apartments	61,300,418	0.26%
Oncor Electric Delivery Company	Electric Utility	59,455,396	0.26%
WMCI Dallas VI LLC	Apartments	58,711,095	0.25%
		$922,371,172	3.97%

Tax Year 2019 Top Ten Taxpayers (1)			
Name of Taxpayer	Type of Business	2019 Taxable Value	% of Net Valuation
Encore Wire Limited	Wire Cable Manufacturing	$159,414,828	0.74%
Craig Ranch (2)	Apartments	141,070,376	0.65%
Raytheon (2)	Electronics Manufacturing	111,071,211	0.51%
WRIA 14-7 LLC	Commercial Land	67,036,316	0.31%
Oncor Electric Delivery Company	Electric Utility	65,328,943	0.30%
West Eldorado TX Partners LLC	Apartments	62,095,000	0.29%
Fairways Wilson Creek Apartments LLC	Apartments	59,928,438	0.28%
Areg Grassmere TX Partners LLC	Apartments	56,350,000	0.26%
Orion McKinney LLC	Apartments	54,360,000	0.25%
Rowlett Apartments LLC	Apartments	49,881,884	0.23%
		$826,536,996	3.82%

Tax Year 2018 Top Ten Taxpayers (1)			
Name of Taxpayer	Type of Business	2018 Taxable Value	% of Net Valuation
Encore Wire Limited	Wire Cable Manufacturing	$115,120,286	0.52%
Craig Ranch (2)	Apartments	96,511,017	0.44%
Raytheon (2)	Electronics Manufacturing	73,341,688	0.33%
WRIA 14-7 LLC	Commercial Land	67,036,316	0.30%
West Eldorado TX Partners LLC	Apartments	62,095,000	0.28%
Oncor Electric Delivery Company	Electric Utility	60,452,340	0.27%
Fairways Wilson Creek Apartments LLC	Apartments	59,928,438	0.27%
Areg Grassmere TX Partners LLC	Apartments	56,350,000	0.26%
Orion McKinney LLC	Apartments	54,360,000	0.25%
Rowlett Apartments LLC	Apartments	49,881,884	0.23%
		$695,076,969	3.16%

(1) Percentage of Net Valuation based on Net Taxable Assessed Valuation per Collin Central Appraisal District.
(2) Includes multiple Owner ID's.

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Classification of Assessed Valuations [1]

Category	Tax Year 2018	% of Total	Tax Year 2019	% of Total	Tax Year 2020	% of Total
Real, Residential, Single-Family	$ 15,939,084,566	66.93%	$ 16,215,837,358	67.80%	$ 16,921,034,369	67.34%
Real, Residential, Multi-Family	1,646,759,929	6.92%	1,907,334,055	7.98%	2,229,984,642	8.87%
Real, Vacant Lots/Tracts	216,954,279	0.91%	265,007,078	1.11%	313,200,309	1.25%
Real, Acreage	779,700,233	3.27%	2,271,461	0.01%	2,271,150	0.01%
Real, Farm & Ranch Improvements	283,294,861	1.19%	214,261,175	0.90%	176,835,798	0.70%
Real, Commercial & Industrial	3,071,730,190	12.90%	3,490,717,515	14.60%	3,734,721,101	14.86%
Utilities	172,716,184	0.73%	198,181,335	0.83%	204,409,384	0.81%
Tangible Personal, Business	1,153,920,949	4.85%	1,121,103,452	4.69%	1,175,218,823	4.68%
Tangible Personal, Other	3,160,843	0.01%	2,968,564	0.01%	3,134,876	0.01%
Residential Inventory	461,857,586	1.94%	399,820,039	1.67%	263,661,956	1.05%
Special Inventory	84,084,839	0.35%	98,031,290	0.41%	103,758,103	0.41%
Total Appraised Value	$ 23,813,264,459	100.00%	$ 23,915,533,322	100.00%	$ 25,128,230,511	100.00%
Plus:						
Totally Exempt Property	$ 2,237,471,428		$ 2,385,536,687		$ 2,459,681,950	
Less:						
Homestead 10% Cap	$ 209,507,817		$ 91,836,886		$ 44,824,659	
Productivity Value Loss	777,357,501		734,104,928		741,356,752	
Exemptions	3,076,789,105		3,276,159,213		3,395,157,322	
Total Exemptions/Deductions	$ 4,063,654,423		$ 4,102,101,027		$ 4,181,338,733	
Net Taxable Assessed Valuation	$ 21,987,081,464		$ 22,198,968,982		$ 23,406,573,728	

[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
2011	$ 10,836,891,848	$ 0.40506	$ 0.18044	98.25%	99.91%
2012	11,028,180,455	0.41220	0.17330	98.51%	99.91%
2013	11,904,989,520	0.42179	0.16371	98.62%	99.88%
2014	13,473,925,466	0.41544	0.16756	99.13%	99.85%
2015	15,327,566,890	0.40997	0.17303	99.43%	99.84%
2016	17,302,031,953	0.40177	0.17123	99.65%	99.84%
2017	19,689,744,789	0.37561	0.16459	99.50%	99.75%
2018	21,987,081,464	0.36239	0.16278	99.63%	99.75%
2019	22,198,969,342	0.35539	0.16021	98.65%	99.28%
2020	23,406,570,728	0.35471	0.15393	98.03%	98.03% [1]

[1] Collections through March 31, 2021.

Municipal Sales Tax Collections

Fiscal Year	Sales Tax Collections [1]	Adjusted Ad Valorem Tax Levy		Tax Rate Per $100 Assessed Value	Perecent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2012	17,704,453	64,138,405		0.58550	27.60%	0.1634
2013	19,416,642	65,276,463		0.58550	29.75%	0.1761
2014	20,178,192	70,345,201		0.58550	28.68%	0.1695
2015	21,691,728	78,727,444		0.58300	27.55%	0.1610
2016	21,260,566	89,141,519		0.58300	23.85%	0.1387
2017	23,144,381	98,988,320		0.57300	23.38%	0.1338
2018	26,708,785	106,363,804		0.54020	25.11%	0.1356
2019	28,502,110	115,469,556		0.52517	24.68%	0.1296
2020	32,198,507	123,308,492		0.51560	26.11%	0.1346
2021	11,580,604 [2]	127,813,473	[3]	0.50865	(In Process of Collection)	

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[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 Bonds.

[2] Collections through Feb 2021.

[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,				
	2020	2019	2018	2017	2016
Fund Balance - Beginning of Year	$ 83,580,020	$ 76,892,614	$ 80,475,947	$ 65,606,029	$ 49,489,304
Revenues:					
Property Taxes	83,448,823	78,827,663	73,847,744	69,881,667	63,437,519
Sales and Use Taxes	30,625,603	26,624,690	25,213,079	23,657,598	22,172,572
Franchise Taxes	15,992,927	16,071,697	16,167,036	14,790,276	14,162,263
Licenses and Permits	10,280,327	10,621,061	11,495,904	14,883,837	11,484,965
Intergovernmental	5,190,085	1,211,587	997,924	1,678,077	818,258
Charges for Services	10,856,138	13,286,467	10,011,177	8,728,651	6,406,978
Fines and Forfeitures	895,134	1,875,590	1,981,919	1,923,927	1,912,878
Investment Income	1,532,887	2,933,311	921,791	666,840	435,565
Contributions	440,201	479,138	441,134	452,614	449,464
Miscellaneous	1,368,080	460,907	793,419	9,527,638	433,414
Total Revenues	160,630,205	152,392,111	$ 141,871,127	$ 146,191,125	$ 121,713,876
Expenditures:					
Current:					
General Government	$ 31,267,033	$ 30,795,505	$ 26,846,592	$ 26,889,288	$ 21,939,787
Public Safety - Police and Fire	70,999,590	65,856,377	61,051,374	54,073,855	50,542,431
Public Works	12,899,788	11,615,586	11,526,736	10,382,306	11,219,111
Parks and Recreation	14,480,182	14,285,713	14,905,962	12,758,943	8,938,852
Libraries	3,508,643	3,613,748	3,513,383	3,356,484	3,353,164
Development	11,164,580	11,010,882	10,799,131	9,306,429	9,344,721
Airport	-	-	-	-	-
Debt Service	4,638,946	1,004,798	321,679	321,679	394,569
Capital Expenditures	6,606,691	15,301,147	8,102,057	7,530,221	3,265,787
Total Expenditures	$ 155,565,453	$ 153,483,756	$ 137,066,914	$ 124,619,205	$ 108,998,422
Excess (Deficit) of Revenues					
Over Expenditures	5,064,752	(1,091,645)	$ 4,804,213	$ 21,571,920	$ 12,715,454
Other Financing Sources (Uses):					
Issuance of Capital Lease	-	4,600,000	-	-	-
Proceeds from Sale of Property	447,122	332,871	253,724	1,648,565	3,436,712
Operating Transfers In	10,184,993	6,915,000	3,271,730	3,342,096	4,678,072
Operating Transfers (Out)	(3,805,500)	(4,068,820)	(11,913,000)	(11,692,663)	(4,713,513)
Total Other Financing Sources (Uses):	6,826,615	7,779,051	(8,387,546)	(6,702,002)	3,401,271
Net change in fund balances	11,891,367	6,687,406	(3,583,333)	14,869,918	16,116,725
Fund Balance - End of Year [1]	$ 95,471,387	$ 83,580,020	$ 76,892,614	$ 80,475,947	$ 65,606,029

[1] Unreserved, undesignated General Fund Balance was $61,145,601 for 2016, $62,349,115 for 2017, and $53,483,079 for 2018, $60,705,461 for 2019, and $68,822,244 for 2020.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF McKINNEY AND COLLIN COUNTY

GENERAL INFORMATION REGARDING THE CITY OF McKINNEY AND COLLIN COUNTY

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

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

Population Statistics

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

Source: City of McKinney; 2021 Annual Development Report. Prepared by the City of McKinney Planning Department. http://www.mckinneytexas.org/ArchiveCenter/ViewFile/Item/2125. Accessed on April 15, 2021.

Unemployment Rates

	City of McKinney			Texas		
	March 2021	March 2020	March 2019	March 2021	March 2020	March 2019
Civillian Labor Force	106,030	104,673	103,931	14,096,630	13,953,661	13,954,188
Total Employment	99,646	99,679	100,366	13,086,898	13,248,772	13,465,204
Total Unemployment	6,384	4,994	3,565	1,009,732	704,889	488,984
Percentage Unemployment	6.02%	4.77%	3.43%	7.16%	5.05%	3.50%

Source: Texas Labor Market Information, Not seasonally adjusted.
http://www.texaslmi.com. Accessed on April 23, 2021.

Major Employers

Company	Product or Service	Approximate Number Number of Employees
Raytheon TI Systems, Inc.	Electronic systems	3,300
McKinney Independent School District	Educational services	2,640
Collin County	Governmental Services	1,673
Torchmark/United American	Insurance	1,250
Encore Wire	Manufacturing	1,150
City of McKinney	Governmental Services	1,021
Medical Center of McKinney	Medical services	905
Collin College	Education	651
Baylor Medical Center of McKinney	Medical services	523
Timber Blind	Manufacturing	500
Watson & Chalin	Manufacturing	240
Simpson Strong Tie	Manufacturing	225
Performance Food Groups	Food Processor	200
Emerson	Manufacturing	170
Leon's Texas Cuisine	Food Processor	160
Independent Bank	Financial Services	134
Tong Yang Group (TYG)	Manufacturing	130
RMCN	Credit Repair	95

Source: Oncor Economic Development Department (Community Profile). http://external.oncor.com/CP/App/Index.html#/City/130. Accessed on April 15, 2021

Building Permits

Year	Commercial # Permits	Commercial $ Value	Residential # Permits	Residential $ Value	Multi-Family # Permits	Multi-Family $ Value
2010	26	109,125,720	1,052	328,611,467	0	-
2011	32	54,317,660	1,154	384,571,347	1	24,000,000
2012	39	154,463,795	1,490	503,960,461	2	46,877,763
2013	50	88,691,400	1,862	629,236,262	1	28,859,713
2014	44	112,327,571	1,703	581,978,845	4	47,218,075
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	2294	746,996,815	5	139,087,727
2019	86	293,766,779	1506	491,617,184	5	194,268,078
2020	69	346,466,522	1548	506,363,319	4	78,274,913

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

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APPENDIX C

FORM OF LEGAL OPINIONS OF BOND COUNSEL

NORTON ROSE FULBRIGHT

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[Closing Date]

IN REGARD to the authorization and issuance of the "City of McKinney, Texas, General Obligation Refunding Bonds, Taxable Series 2021B," dated June 1, 2021, in the principal amount of $14,225,000 (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 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 15th in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Bond Ordinance" and, jointly with the Pricing Certificate, 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 US Bank National Association (the "Escrow Agent"), a special report of Ritz & Associates PA, Certified Public Accountants (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 certain facts within the knowledge and control 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 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 special 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.

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; 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.

[Closing Date]

NORTON ROSE FULBRIGHT

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IN REGARD to the authorization and issuance of the "City of McKinney, Texas, General Obligation Bonds, Series 2021A," dated June 1, 2021, in the principal amount of $16,850,000 (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 15th in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance" and, jointly with the Pricing Certificate, the "Bond 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 Bond 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 Bond 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 Bond Ordinance, are valid, legally binding and enforceable obligations of the City and are payable from 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.

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, 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, 2020

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying 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 (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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, 2020 and the respective changes in financial position and, where applicable, cash flows thereof and the statement of revenues, expenditures, and changes in fund balances-budget and actual-general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

Members of the City Council
City of McKinney, Texas

Emphasis of Matter

As discussed in Note 1 to the financial statements, during fiscal year 2020, the City re-evaluated the presentation of MHFC in accordance with GASB Statement No. 61: The Financial Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and 34. The reevaluation changed the presentation of the McKinney Housing Finance Corporation presentation from blended component unit special revenue fund to discretely presented enterprise fund during the year ended September 30, 2020. Consistent with GASB Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 62 which addresses reporting a change in entity the City has restated the fiscal year 2019 financial statements. Our opinion is not modified with respect to this matter.

Other Matters

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, 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 auditing standards generally accepted in the United States of America, 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.

Other 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, the introductory section, and statistical section as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Members of the City Council
City of McKinney, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2021 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 10, 2021

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, 2020. 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, 2020, by $1,283 million (Net Position). Of this amount, $1,000 million (78%) 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 $125 million (10%). The remaining $158 million (12%) 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 $84 million or 7%. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, decreased by $5 million or 3%.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of $335 million, an increase of $31 million in comparison to the prior year. Approximately $68 million, or 20%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, $5.0 million is nonspendable for inventory and prepaid items. Fund balance is restricted in the amounts of $7.3 million for debt service, $223.7 million is for street construction and other capital projects, and $8.7 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of $6.6 million for other postemployment benefits (OPEB), $14.4 million for capital equipment replacement, $0.5 million for disaster relief and $0.4 million for public and performing arts. The remaining $68.2 million is unassigned fund balance and can be used for any lawful purpose. The unassigned fund balance is equal to 44% 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 $35.6 million or 6% during the current fiscal year. Major contributable factors include debt issuances resulting in net increase of $40.6 million increase to bonds payable including associated changes in bond premiums. Additionally, the City experienced a decrease in the net pension liability of $16.9 million primarily resulting from the depression of investment market conditions as of the actuarial measurement date of December 31, 2019.

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 thirteen 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, capital projects fund and grants 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 24-31.

- **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 32-35.

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

  The basic fiduciary fund financial statements can be found on page 36.

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 41-82.

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 84-89.

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 92-133 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 $1,283 million as of September 30, 2020.

By far the largest portion of the City's net position, $1,000 million or 78% 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, $125 million or 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $158 million or 12% 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 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Assets						
Current and other assets	$ 381,130	$ 338,180	$ 219,911	$ 222,335	$ 601,041	$ 560,515
Capital assets	672,927	626,558	587,327	536,813	1,260,254	1,163,371
Total Assets	1,054,057	964,738	807,238	759,148	1,861,295	1,723,886
Deferred Outflows of Resources	15,933	23,676	6,813	8,130	22,746	31,806
Liabilities						
Other liabilities	31,010	21,072	16,032	15,208	47,042	36,280
Long-term liabilities outstanding	374,562	361,767	169,733	157,713	544,295	519,480
Total Liabilities	405,572	382,839	185,765	172,921	591,337	555,760
Deferred Inflows of Resources	8,865	1,150	1,122	128	9,987	1,278
Net Position						
Net investment in capital assets	496,467	461,844	503,428	455,241	999,895	917,085
Restricted	110,985	105,207	14,285	13,890	125,270	119,097
Unrestricted	48,101	37,374	109,451	125,098	157,552	162,472
Total Net Position	$ 655,553	$ 604,425	$ 627,164	$ 594,229	$ 1,282,717	$ 1,198,654

The City of McKinney's net position increased by $84 million during the current fiscal year. This was driven by an increase in governmental and business-type net position of $51.0 million $32.9 million, respectively. Details are listed in the table below.

Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues:						
Program revenues:						
Charges for services	$ 26,592	$ 26,915	$ 123,582	$ 114,282	$ 150,174	$ 141,197
Operating grants and contributions	15,557	3,450	207	50	15,764	3,500
Capital grants and contributions	45,670	36,010	28,015	18,829	73,685	54,839
General revenues:						
Property taxes	123,658	116,385	-	-	123,658	116,385
Sales taxes	34,034	30,724	-	-	34,034	30,724
Franchise taxes	15,960	16,057	-	-	15,960	16,057
Other taxes and fees	325	341	-	-	325	341
Investment income	4,362	8,233	4,013	5,909	8,375	14,142
Other revenues	1,442	692	63	225	1,505	917
Total revenues	267,600	238,807	155,880	139,295	423,480	378,102
Expenses:						
General government	46,445	38,767	-	-	46,445	38,767
Police	40,922	38,969	-	-	40,922	38,969
Fire	38,323	34,466	-	-	38,323	34,466
Libraries	4,022	4,101	-	-	4,022	4,101
Development	12,353	12,284	-	-	12,353	12,284
Parks and recreation	19,863	20,028	-	-	19,863	20,028
Public works	47,002	50,529	-	-	47,002	50,529
Interest on long-term debt	8,777	8,594	-	-	8,777	8,594
Airport	-	-	10,468	12,083	10,468	12,083
Water/Wastewater	-	-	99,507	91,547	99,507	91,547
Solid Waste	-	-	8,096	7,706	8,096	7,706
Golf Course	-	-	77	79	77	79
Surface Water Drainage	-	-	3,458	3,054	3,458	3,054
Total expenses	217,707	207,738	121,606	114,469	339,313	322,207
Increase (decrease) in net position before transfers and special items	49,893	31,069	34,274	24,826	84,167	55,895
Special item	-	15,534	-	-	-	15,534
Transfers	1,339	4,427	(1,339)	(4,427)	-	-
Increase (decrease) in net position	51,232	51,030	32,935	20,399	84,167	71,429
Net Position - Beginning, as restated	604,321	584,463	594,229	573,830	1,198,550	1,158,293
Net Position - Ending	$ 655,553	$ 635,493	$ 627,164	$ 594,229	$ 1,282,717	$ 1,229,722

Governmental activities

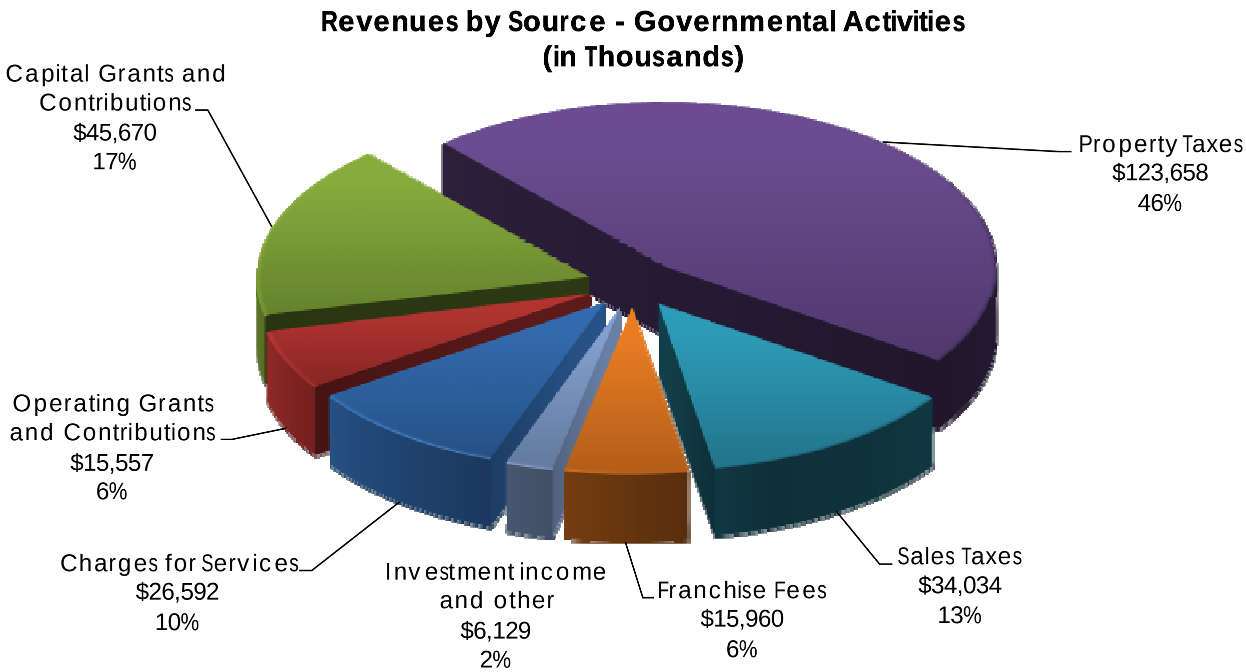
Governmental activities increased the City's net position by $51.2 million during the current fiscal year. The key elements of this increase are as follows:

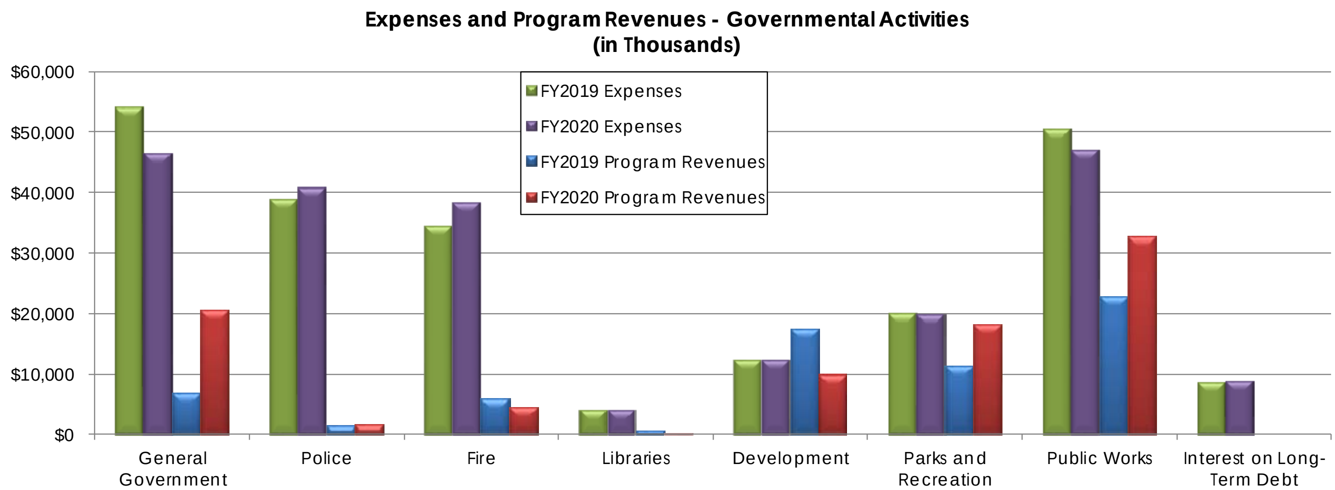
Revenues

- Property Taxes increased by $7.3 million as a result of a 8% increase in certified taxable value.
- Sales taxes increased by $3.3 million, or 11% as a result of population and commercial growth in the area.
- Operating Grants and contributions increased by $11.9 million or 345% primarily as a result of increases in federal grants. Most of the federal grants is from CARES Act funding.

Expenses

- The City's governmental expenses increased by $7.7 million.
- The 2020 budget authorized 60 additional positions and a 3% merit pool for increased personnel cost of $8.5 million.
- During the current year public works decreased by $3.5 million as a result of a higher percentage of capital expenditures being capitalized throughout the year.





Business-type activities

Business-type activities increased the City of McKinney's net position by $32.9 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

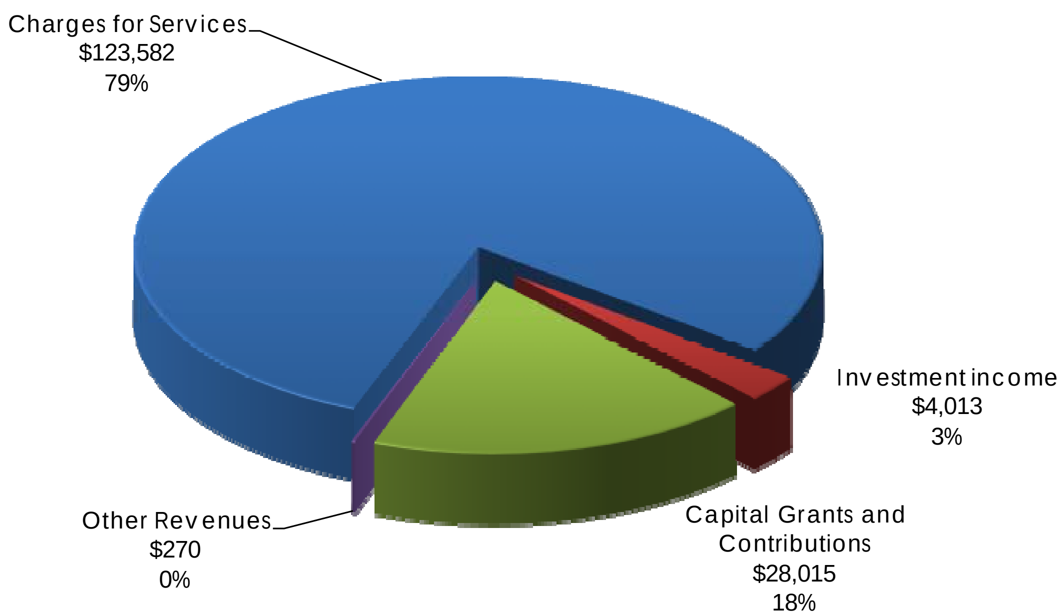
Revenues

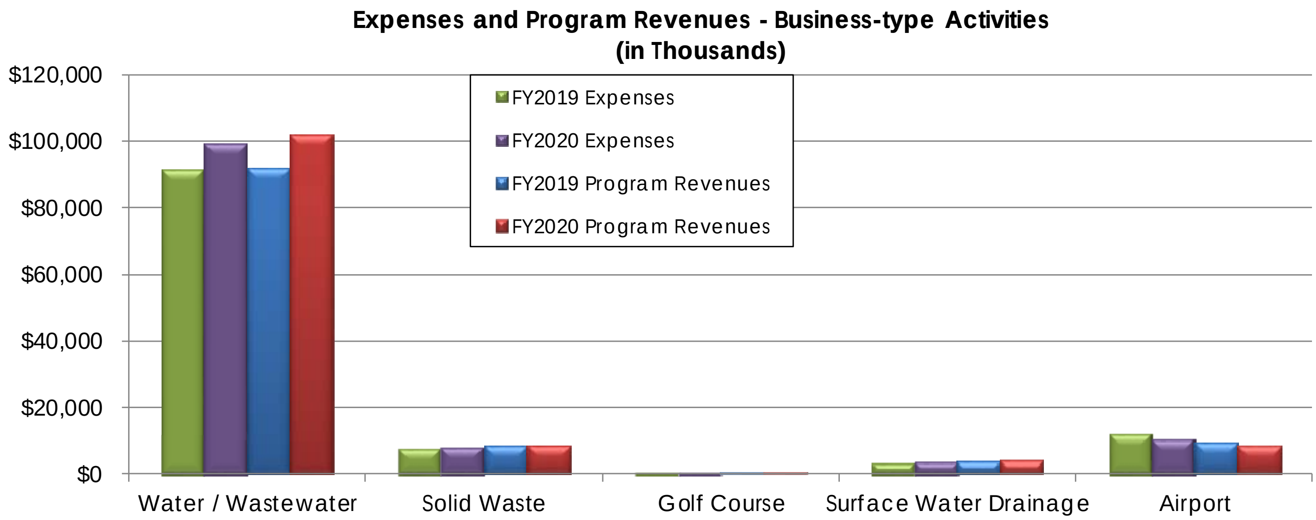
- The Water/Wastewater Fund's operating revenues increased by $10 million, or 11% as a result of residential growth adding approximately 1,700 new customer accounts.
- The Water/Wastewater Fund received capital contributions of $28 million relating to continued development in the City.
- The Airport Fund's operating revenues decreased by $0.4 million or 3% due to the Covid-19 Pandemic.

Expenses

- Operating expenses in the Water/Wastewater Fund increased by $7 million mainly attributed to a $3 million increase in water purchase and sewer service charge from North Texas Municipal Water District and 10 new positions with an increased personnel cost of $1.3 million.

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 $334.8 million, an increase of $30.7 million or 10% in comparison to the prior year. Approximately $68.2 million or 20% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, or assigned in conformance with GASB 54 requirements. Please see page 24 for financial details and notes to financial statements for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was $68.8 million, while total fund balance was $95.5 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 44% of total general fund expenditures.

The original budget included a planned decrease in fund balance of $2.3 million. However, the general fund balance increased by $11.9 million or 14% during the current fiscal year. This was the result of achieving actual expenditures below budget by $6.3 million primarily related to reductions in general government expenditures.

Debt Service Fund. The debt service fund had a total fund balance of $7.3 million, an increase of $1.3 million over the prior year. Higher property valuations and increased investment income outweighed the City's annual debt service requirements.

Capital Projects Fund. The governmental capital projects fund had an ending fund balance of $213.8 million. Total expenditures for the current year were $72.4 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to the acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include property acquisition for a new Public Works complex, John & Judy Gay Library expansion, water line relocations for the Custer Road widening project, and construction of Bloomdale Road from Hardin to Community.

Grants Fund. The grants fund had a total fund balance of $85 thousand, an increase of $57 thousand over the prior year. In fiscal year 2020, the grants fund received $14.7 million in advanced funding from the CARES Act related to the COVID-19 pandemic. CARES act expenditures of $8.1 million were recognized as revenue in fiscal year 2020 and the unearned revenue balance is the remaining $6.6 million.

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, 2020, 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 $22.6 million resulting primarily from capital contributions. Operating revenues totaled $102 million, an increase of $10 million, or 11% over the prior year due to residential development resulting in 1,668 new service locations. Operating expenses in the Water and Wastewater Fund were $93 million, an increase of $6.5 million or 7% over the prior year, primarily a result of the significant 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 $133.8 million, which was an increase of $10.9 million compared to the previous year. This was a result of transfers and contributions totaling $12.6 million. The unrestricted net position of the Airport Fund decreased by $9.4 million or 55% during the current fiscal year. Operating revenues decreased by $969 thousand for the year due to the Covid-19 pandemic impacting the aviation industry. Operating expenses were $11.3 million which decreased by $697 thousand.

Solid Waste Fund. The City's Solid Waste Fund net position decreased by $863 thousand. Operating revenues totaled $8.9 million, which was an increase of $214 thousand as compared to the previous year. Operating expenses and net transfers were $10.1 million which were $2.2 million higher than the previous year.

Golf Course Fund. The Golf Course Fund net position increased by $83 thousand. Revenues were approximately $164 thousand which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling $77 thousand. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund's net position increased by $139 thousand to $5.9 million. Charges for services remained relatively consistent with the prior year at $5.8 million.

General Fund Budgetary Highlights

The actual FY2019-20 expenditures were $155.6 million, $6.3 million less than the final budget of $161.9 million. However, at the end of the year, $1.7 million of budgeted development studies, capital equipment replacements, and other various projects were not completed and will be re-appropriated to fiscal year 2021.

Actual revenues were $160.6 million or $7.0 million more than the $153.7 million budget plan. The final revenue budget was $7.7 million less than the original adopted budget mainly attributed to the Covid-19 pandemic.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had $1.26 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. This amount represents a net increase (including additions and deductions) of $96.9 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:

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land	$ 46,943	$ 42,585	$ 53,671	$ 52,367	$ 100,614	$ 94,952
Works of art	94	88	-	-	94	88
Construction in progress	122,614	71,128	70,113	50,302	192,727	121,430
Buildings	119,356	123,529	39,428	31,788	158,784	155,317
Infrastructure	356,895	363,763	416,099	395,745	772,994	759,508
Machinery and equipment	27,005	25,454	8,016	6,611	35,021	32,065
Service animals	20	11	-	-	20	11
Total	$ 672,927	$ 626,558	$ 587,327	$ 536,813	$ 1,260,254	$ 1,163,371

Capital project commitments as of September 30, 2020:

Description	Appropriated Commitment
Water/Wastewater Projects	$ 59,701,589
Streets Projects	92,209,844
Library Projects	390,080
Parks Projects	47,861,572
Fire Projects	19,148,430
Municipal Facilities	18,021,427
Technology Projects	11,958,693
Stormwater Projects	17,399,676
Airport Projects	18,148,058
	$ 284,839,369

Additional information about the City's capital assets is presented in Note (3) to the financial statements at pages 57-60.

Long-term Debt. At year end, the City had $434.8 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was $425.6 million at the end of the prior fiscal year. This represents an increase of 2%. All outstanding debt is summarized in thousands below:

	Governmental Activities		Business-Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
General obligation bonds, certificates of obligations and tax notes (backed by the City)	$ 273,645	$ 277,281	$ -	$ -	$ 273,645	$ 277,281
Revenue bonds (backed by fee revenues)	-	-	161,152	148,293	161,152	148,293
Totals	$ 273,645	$ 277,281	$ 161,152	$ 148,293	$ 434,797	$ 425,574

In 2021, 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 62.

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 2021 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2021 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2021 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced by seven-tenths of a cent to $0.508645 cents per $100 assessed value
- Total City budget $641million
- General Fund budget $159.4 million
- Increased and sustained funding for equipment and facilities improvements
- Budgeted supplemental funding of $11.1 million ($2.7 million for additional staff and other recurring costs, $8.4 million for one-time costs) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program
- Additional 26.5 full-time equivalent (FTE) positions (14.5 in the General Fund and 12 in other funds)

The property tax rate for fiscal year 2021 decreased from $0.515600 to $0.508645 per $100 assessed value.

For fiscal year 2021, the water rates remained the same and wastewater (sewer) rates increased 5.5%, due to increased cost of service from the North Texas Municipal Water District (NTMWD). The monthly minimum residential water charge will remain at $16.50. The water volume rate will charge customers $4.00 per thousand gallons for the first 7,000 gallons. Residential and sprinkler/irrigation customers will be charged $5.50 per thousand gallons if the monthly consumption exceeds 7,000 gallons but is less than 20,000 gallons; monthly consumption that exceeds 20,000 gallons but less than 40,000 gallons will be charged at $6.95; monthly consumption over 40,000 gallons will be charged at 8.35 per thousand gallons. The monthly minimum wastewater rate will increase from $18.80 to $19.85. The wastewater volume rate will increase from $5.25 to $5.55 per thousand gallons of water used.

Requests for Information

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

Basic Financial Statements

City of McKinney, Texas

Statement of Net Position

September 30, 2020

		Governmental Activities		Business-type Activities		Total		Component Units
ASSETS								
Cash and cash equivalents	$	172,097,629	$	63,649,307	$	235,746,936	$	73,341,620
Investments		33,628,168		3,070,410		36,698,578		-
Receivables (net of allowance for uncollectibles)		15,871,420		14,394,676		30,266,096		5,627,026
Internal balances		354,450		(354,450)		-		-
Due from other governments		1,819,490		-		1,819,490		-
Other assets		-		-		-		51
Inventory		214,349		839,984		1,054,333		-
Prepaid items		4,724,043		819,964		5,544,007		30,889
Restricted assets:								
Cash and cash equivalents		152,420,315		130,501,673		282,921,988		1,819,605
Investments		-		6,963,573		6,963,573		-
Accrued interest receivable		-		25,581		25,581		-
Capital assets:								
Non depreciable		169,649,997		123,784,176		293,434,173		70,683,614
Depreciable (net)		503,277,458		463,542,842		966,820,300		306,066
Total assets		1,054,057,319		807,237,736		1,861,295,055		151,808,871
DEFERRED OUTFLOWS OF RESOURCES								
Deferred pension outflows		11,919,385		1,594,447		13,513,832		213,898
Deferred OPEB outflows		3,071,046		307,264		3,378,310		41,220
Deferred charge for refunding		943,060		554,561		1,497,621		44,709
Excess consideration provided for acquisition		-		4,356,509		4,356,509		-
Total deferred outflows of resources		15,933,491		6,812,781		22,746,272		299,827
LIABILITIES								
Accounts payable		9,737,620		7,371,236		17,108,856		243,119
Other accrued liabilities		11,157,912		4,029,416		15,187,328		87,370
Unearned revenue		7,231,665		-		7,231,665		3,246,345
Accrued interest payable		1,452,422		257,991		1,710,413		153,187
Deposits		1,430,890		4,373,258		5,804,148		-
Non-current liabilities:								
Due within one year:								
Compensated absences		841,013		87,040		928,053		12,827
Bonds payable		32,429,414		10,590,147		43,019,561		4,160,000
Due in more than one year:								
Compensated absences		13,175,864		1,363,631		14,539,495		200,954
Bonds payable		272,581,910		150,562,242		423,144,152		38,950,000
Net pension liability		34,309,276		4,589,521		38,898,797		615,686
Total OPEB liability		21,224,703		2,540,803		23,765,506		340,849
Total liabilities		405,572,689		185,765,285		591,337,974		48,010,337
DEFERRED INFLOWS OF RESOURCES								
Deferred pension inflows		8,260,775		1,104,885		9,365,660		148,222
Deferred OPEB inflows		604,264		17,070		621,334		2,290
Total deferred inflows of resources		8,865,039		1,121,955		9,986,994		150,512
NET POSITION								
Net investment in capital assets		496,467,289		503,427,839		999,895,128		29,446,922
Restricted for:								
Use of impact fees		19,459,628		5,467,274		24,926,902		-
Debt service		6,147,185		8,818,206		14,965,391		1,752,524
Capital projects		66,401,069		-		66,401,069		-
Public safety		540,844		-		540,844		-
Community development		15,261,023		-		15,261,023		-
Court		558,328		-		558,328		-
PEG		2,078,723		-		2,078,723		-
Grants and donations		538,225		-		538,225		-
Unrestricted		48,100,768		109,449,958		157,550,726		72,748,403
TOTAL NET POSITION	$	655,553,082	$	627,163,277	$	1,282,716,359	$	103,947,849

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, 2020

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	$ 46,445,188	$ 7,507,139	$ 13,128,609	$ 10,000
Police	40,922,301	394,567	1,252,401	18,500
Fire	38,322,559	4,561,198	50	-
Libraries	4,022,261	78,573	72,574	-
Development	12,353,033	9,225,569	672,165	-
Parks and recreation	19,863,471	3,551,921	430,949	14,181,159
Public works	47,001,627	1,273,241	-	31,459,958
Interest on long-term debt	8,777,386	-	-	-
Total governmental activities	217,707,826	26,592,208	15,556,748	45,669,617
Business-type activities:				
Water/wastewater	99,507,052	102,017,917	-	23,151,618
Solid waste	8,095,655	8,891,283	-	-
Golf course	77,207	82,215	-	-
Surface water drainage	3,457,729	4,076,939	-	267,416
Airport	10,467,525	8,513,417	207,000	4,595,494
Total business-type activities	121,605,168	123,581,771	207,000	28,014,528
Total primary government	$ 339,312,994	$ 150,173,979	$ 15,763,748	$ 73,684,145
Component units:				
Governmental Activities:				
McKinney Economic Development Corp	$ 14,493,404	$ -	$ 280	$ -
McKinney Community Development Corp	12,191,997	-	-	-
McKinney Convention & Visitors Bureau	783,204	-	828,000	-
McKinney Main Street Corporation	552,201	385,905	113,581	-
	28,020,806	385,905	941,861	-
Business-type activities:				
McKinney Housing Finance Corporation	22,536	649,009	-	-
Total component units	$ 28,043,342	$ 1,034,914	$ 941,861	$ -

General revenues:

Property taxes

Sales taxes

Franchise taxes

Other taxes

Investment income

Gain on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Change in reporting entity

Net position - beginning, as restated

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
$ (25,799,440)	$ -	$ (25,799,440)	$ -
(39,256,833)	-	(39,256,833)	-
(33,761,311)	-	(33,761,311)	-
(3,871,114)	-	(3,871,114)	-
(2,455,299)	-	(2,455,299)	-
(1,699,442)	-	(1,699,442)	-
(14,268,428)	-	(14,268,428)	-
(8,777,386)	-	(8,777,386)	-
(129,889,253)	-	(129,889,253)	-
-	25,662,483	25,662,483	-
-	795,628	795,628	-
-	5,008	5,008	-
-	886,626	886,626	-
-	2,848,386	2,848,386	-
-	30,198,131	30,198,131	-
(129,889,253)	30,198,131	(99,691,122)	-
$ -	$ -	$ -	$ (14,493,124)
-	-	-	(12,191,997)
-	-	-	44,796
-	-	-	(52,715)
-	-	-	(26,693,040)
-	-	-	626,473
$ -	$ -	$ -	$ (26,066,567)
$ 123,658,379	$ -	$ 123,658,379	$ -
34,034,802	-	34,034,802	32,198,508
15,960,438	-	15,960,438	-
324,892	-	324,892	-
4,361,646	4,012,688	8,374,334	815,169
34,482	-	34,482	-
1,407,678	62,560	1,470,238	3,552
1,338,652	(1,338,652)	-	-
181,120,969	2,736,596	183,857,565	33,017,229
51,231,716	32,934,727	84,166,443	6,950,662
604,425,445	594,228,550	1,198,653,995	96,893,108
(104,079)	-	(104,079)	104,079
604,321,366	594,228,550	1,198,549,916	96,997,187
$ 655,553,082	$ 627,163,277	$ 1,282,716,359	$ 103,947,849

City of McKinney, Texas

Balance Sheet

Governmental Funds

September 30, 2020

	General	Debt Service	Capital Projects	Grants
ASSETS				
Cash and cash equivalents	$ 66,917,654	$ 7,248,639	$ 211,905,854	5,457,975
Investments	23,262,460	-	10,365,708	-
Receivables (net of allowance for uncollectibles):				
Delinquent property taxes	753,892	337,349	-	-
Accounts	2,695,179	13,620	-	1,435,326
Notes	1,156,052	-	-	-
Other taxes and fees	8,791,190	-	-	-
Accrued interest	70,211	-	54,667	-
Due from other funds	560,856	-	-	-
Due from other governments	1,056,199	-	278,932	213,055
Inventory	214,349	-	-	-
Prepaid items	3,950,805	-	341,459	425,000
Total assets	$ 109,428,847	$ 7,599,608	$ 222,946,620	$ 7,531,356
LIABILITIES				
Accounts payable	$ 1,972,284	$ -	$ 5,486,424	729,191
Other accrued liabilities	7,353,047	-	3,596,566	1,416
Deposits	1,430,890	-	-	-
Due to other funds	-	-	-	106,999
Unearned revenue	585,151	-	37,558	6,608,956
Total liabilities	11,341,372	-	9,120,548	7,446,562
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	2,616,088	338,600	-	-
Total deferred inflows of resources	2,616,088	338,600	-	-
FUND BALANCES				
NONSPENDABLE:				
Inventory	214,349	-	-	-
Prepaid items	3,950,805	-	341,459	425,000
RESTRICTED:				
Debt service	-	7,261,008	-	-
Street construction	-	-	116,715,835	-
Capital projects	-	-	96,768,778	-
Law enforcement	17,489	-	-	-
Courts	558,328	-	-	-
Fire	-	-	-	-
PEG	-	-	-	-
Library	-	-	-	-
Community housing	-	-	-	-
Parks	-	-	-	-
Hotel/Motel	-	-	-	-
Transit	-	-	-	-
Grants	-	-	-	41,389
ASSIGNED:				
Capital equipment replacement	14,439,146	-	-	-
Disaster relief	516,552	-	-	-
OPEB	6,565,427	-	-	-
Public & performing arts	387,047	-	-	-
UNASSIGNED	68,822,244	-	-	(381,595)
Total fund balances (deficit)	95,471,387	7,261,008	213,826,072	84,794
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES(DEFICIT)	$ 109,428,847	$ 7,599,608	$ 222,946,620	$ 7,531,356

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 18,175,276	$ 309,705,398
-	33,628,168
-	1,091,241
103,961	4,248,086
-	1,156,052
131,287	8,922,477
-	124,878
-	560,856
271,304	1,819,490
-	214,349
6,779	4,724,043
$ 18,688,607	$ 366,195,038
$ 99,970	$ 8,287,869
122,507	11,073,536
-	1,430,890
99,407	206,406
-	7,231,665
321,884	28,230,366
-	2,954,688
-	2,954,688
-	214,349
6,779	4,724,043
-	7,261,008
-	116,715,835
10,235,216	107,003,994
615,743	633,232
-	558,328
41,946	41,946
2,078,723	2,078,723
52,704	52,704
29,961	29,961
109	109
4,995,846	4,995,846
309,696	309,696
-	41,389
-	14,439,146
-	516,552
-	6,565,427
-	387,047
-	68,440,649
18,366,723	335,009,984
$ 18,688,607	$ 366,195,038

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City of McKinney, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2020

Fund balances of governmental funds		$	335,009,984
Amounts reported for governmental activities in the statement of net position are different because:			
Receivables not measureable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.			2,954,688
Capital assets (net of accumulated depreciation) 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.			672,927,455
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	11,919,385		
Deferred OPEB outflows	3,071,046		
Deferred charge on refunding	943,060		
Deferred pension inflows	(8,260,775)		
Deferred OPEB inflows	(604,264)		7,068,452
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.			13,607,105
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.			(1,452,422)
Long-term liabilities, including bonds payable and net pension liability 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	(273,645,000)		
Bond premiums	(31,366,324)		
Net pension liability	(34,309,276)		
Total OPEB liability	(21,224,703)		
Compensated absences	(14,016,877)		(374,562,180)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$	655,553,082

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, 2020

	General	Debt Service	Capital Projects	Grants
REVENUES				
Property taxes	$ 83,448,823	$ 38,120,024	$ -	$ -
Sales and use taxes	30,625,603	-	-	-
Franchise fees	15,992,927	-	-	-
Other taxes and fees	-	-	-	-
Licenses and permits	10,280,327	-	-	-
Intergovernmental	5,190,085	-	5,914,197	8,899,207
Charges for services	10,856,138	-	1,137,002	-
Fines and forfeitures	895,134	-	-	-
Investment income	1,532,887	314,516	2,314,896	19,834
Contributions	440,201	-	23,058,007	-
Miscellaneous	1,368,080	-	-	36,589
Total revenues	160,630,205	38,434,540	32,424,102	8,955,630
EXPENDITURES				
Current:				
General government	31,267,033	-	1,553,138	8,051,049
Police	37,424,204	-	-	185,950
Fire	33,575,386	-	-	778,487
Libraries	3,508,643	-	-	-
Development	11,164,580	-	-	6,539
Parks and recreation	14,480,182	-	37,490	-
Public works	12,899,788	-	2,819,601	-
Debt Service:				
Principal retirement	4,552,459	25,920,000	-	-
Interest and fiscal charges	86,487	11,397,384	502,696	-
Capital Expenditures:				
General government	328,900	-	16,017,691	81,934
Police	1,570,881	-	-	-
Fire	2,220,572	-	1,959,045	-
Libraries	-	-	6,324,137	-
Development	270,289	-	-	-
Parks and recreation	511,377	-	13,611,859	-
Public works	1,704,672	-	29,528,609	-
Total expenditures	155,565,453	37,317,384	72,354,266	9,103,959
Excess (deficiency) of revenues over (under) expenditures	5,064,752	1,117,156	(39,930,164)	(148,329)
OTHER FINANCING SOURCES (USES)				
Other financing source-issuance of long-term debt	-	-	48,375,000	-
Other financing source-issuance of refunding debt	-	19,225,000	-	-
Deposit to bond refunding escrow account	-	(22,303,303)	-	-
Premium on issuance of debt	-	3,257,565	8,577,696	-
Proceeds from sale of property	447,122	-	-	-
Transfers in	10,184,993	-	8,198,577	205,500
Transfers out	(3,805,500)	-	(8,000,000)	-
Total other financing sources (uses)	6,826,615	179,262	57,151,273	205,500
Net change in fund balances	11,891,367	1,296,418	17,221,109	57,171
Fund balances, beginning of year	83,580,020	5,964,590	196,604,963	27,623
Change in reporting entity	-	-	-	-
Fund balances, beginning of year, as restated	83,580,020	5,964,590	196,604,963	27,623
FUND BALANCES (DEFICIT), END OF YEAR	$ 95,471,387	$ 7,261,008	$ 213,826,072	$ 84,794

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 2,014,040	$ 123,582,887
3,409,199	34,034,802
-	15,992,927
324,892	324,892
-	10,280,327
997,033	21,000,522
-	11,993,140
188,171	1,083,305
179,513	4,361,646
30,222	23,528,430
3,000	1,407,669
7,146,070	247,590,547
1,314,296	42,185,516
96,019	37,706,173
-	34,353,873
22,311	3,530,954
740,357	11,911,476
-	14,517,672
-	15,719,389
-	30,472,459
-	11,986,567
76,390	16,504,915
10,637	1,581,518
-	4,179,617
-	6,324,137
-	270,289
-	14,123,236
-	31,233,281
2,260,010	276,601,072
4,886,060	(29,010,525)
-	48,375,000
-	19,225,000
-	(22,303,303)
-	11,835,261
-	447,122
100,000	18,689,070
(4,544,918)	(16,350,418)
(4,444,918)	59,917,732
441,142	30,907,207
18,029,660	304,206,856
(104,079)	(104,079)
17,925,581	304,102,777
$ 18,366,723	$ 335,009,984

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, 2020

Net change in fund balances- total governmental funds.		$ 30,907,207
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.		74,242,894
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.		16,697,413
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(44,158,497)
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	25,920,000	
Capital lease	4,552,459	30,472,459
The issuance of long-term debt, such as bonds and capital 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	(45,296,697)	
Recognition of premium on debt issuance	(11,835,261)	
Amortization of refunding loss	(202,613)	
Amortization of bond premium	3,540,353	(53,794,218)
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.		(3,114,659)
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.		(1,758,128)
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.		(128,556)
Internal service funds are used by management to share the costs of certain activities including self-insurance to individual funds.		2,339,493
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.		(412,640)
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.		(61,052)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 51,231,716

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, 2020

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	$ 84,571,732	$ 84,222,732	$ 83,448,823	$ (773,909)
Sales and use taxes	27,852,118	26,580,458	30,625,603	4,045,145
Franchise fees	16,980,649	15,941,182	15,992,927	51,745
Licenses and permits	11,997,900	10,598,195	10,280,327	(317,868)
Intergovernmental	1,194,666	1,312,542	5,190,085	3,877,543
Charges for services	13,657,790	11,368,385	10,856,138	(512,247)
Fines and forfeitures	2,028,120	1,295,924	895,134	(400,790)
Investment income	1,933,000	1,447,020	1,532,887	85,867
Contributions	482,511	471,012	440,201	(30,811)
Miscellaneous	697,150	426,767	1,368,080	941,313
Total revenues	161,395,636	153,664,217	160,630,205	6,965,988
EXPENDITURES				
General government	37,355,206	40,110,890	35,713,719	4,397,171
Police	41,137,727	39,576,214	38,995,085	581,129
Fire	35,434,922	34,698,413	36,317,118	(1,618,705)
Libraries	3,753,615	3,667,760	3,508,643	159,117
Development	12,662,285	12,602,779	11,434,869	1,167,910
Parks and recreation	17,117,173	16,125,732	14,991,559	1,134,173
Public works	15,154,502	15,110,347	14,604,460	505,887
Total expenditures	162,615,430	161,892,135	155,565,453	6,326,682
Excess (deficiency) of revenues over (under) expenditures	(1,219,794)	(8,227,918)	5,064,752	13,292,670
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	285,000	445,000	447,122	2,122
Transfers in	5,317,602	9,184,993	10,184,993	1,000,000
Transfers out	(4,805,500)	(3,730,000)	(3,805,500)	(75,500)
Total other financing sources (uses)	797,102	5,899,993	6,826,615	926,622
Net change in fund balances	(422,692)	(2,327,925)	11,891,367	14,219,292
Fund balances, beginning of year	83,580,020	83,580,020	83,580,020	-
Fund balances, end of year	$ 83,157,328	$ 81,252,095	$ 95,471,387	$ 14,219,292

3The notes to the financial statements are an integral part of this statement.

City of McKinney, Texas
Statement of Net Position
Proprietary Funds
September 30, 2020

	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	$ 45,577,237	$ 3,952,675	$ 14,119,395	$ 63,649,307	$ 14,722,546
Investments	-	-	3,070,410	3,070,410	-
Restricted assets:					-
Cash and cash equivalents	117,465,305	13,026,368	10,000	130,501,673	90,000
Receivables (net of allowance for uncollectibles)	12,339,807	36,824	2,015,295	14,391,926	328,686
Accrued interest receivable	-	-	2,750	2,750	-
Due from other funds	15,900	-	-	15,900	-
Notes receivable- interfund	-	-	4,895,903	4,895,903	-
Inventory	770,205	69,779	-	839,984	-
Prepaid items	-	241,272	578,692	819,964	-
Total current assets	176,168,454	17,326,918	24,692,445	218,187,817	15,141,232
Noncurrent assets:					
Restricted assets:					
Investments	6,963,573	-	-	6,963,573	-
Accrued interest receivable	25,581	-	-	25,581	-
Total restricted assets	6,989,154	-	-	6,989,154	-
Capital assets:					
Land	11,555,020	41,549,244	566,509	53,670,773	-
Buildings	11,972,381	41,428,102	1,653,284	55,053,767	-
Improvements other than buildings	500,809,969	65,992,095	2,912,297	569,714,361	-
Machinery and equipment	12,992,175	1,814,764	3,015,346	17,822,285	-
Construction in progress	62,942,605	7,170,798	-	70,113,403	-
Less accumulated depreciation	(134,577,734)	(39,712,483)	(4,757,354)	(179,047,571)	-
Total capital assets (net of accumulated depreciation)	465,694,416	118,242,520	3,390,082	587,327,018	-
Total noncurrent assets	472,683,570	118,242,520	3,390,082	594,316,172	-
TOTAL ASSETS	648,852,024	135,569,438	28,082,527	812,503,989	15,141,232
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	1,031,410	239,003	324,034	1,594,447	-
Deferred OPEB outflows	198,761	46,058	62,445	307,264	-
Deferred charge for refunding	554,561	-	-	554,561	-
Excess consideration provided for acquisition	-	4,356,509	-	4,356,509	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,784,732	4,641,570	386,479	6,812,781	-

(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, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
LIABILITIES					
Current liabilities:					
Accounts payable	$ 2,973,165	$ 231,294	$ 192,085	$ 3,396,544	$ 1,449,751
Other accrued liabilities	574,616	92,688	992,363	1,659,667	84,376
Due to other funds	316,433	-	53,917	370,350	-
Advances from other funds	-	-	-	-	-
Note payable- interfund	-	360,645	53,207	413,852	-
Compensated absences	56,612	10,155	20,273	87,040	-
Accrued interest payable	257,991	-	-	257,991	-
Total current liabilities unrestricted	4,178,817	694,782	1,311,845	6,185,444	1,534,127
Liabilities (payable from restricted assets):					
Accounts payable	3,798,863	175,829	-	3,974,692	-
Revenue bonds payable	10,590,147	-	-	10,590,147	-
Other accrued liabilities	2,323,577	46,172	-	2,369,749	-
Deposits	4,187,638	175,620	10,000	4,373,258	-
Total current liabilities (payable from restricted assets)	20,900,225	397,621	10,000	21,307,846	-
Total current liabilities	25,079,042	1,092,403	1,321,845	27,493,290	1,534,127
Noncurrent liabilities:					
Compensated absences	886,926	159,098	317,607	1,363,631	-
Note payable- interfund	-	3,958,505	523,546	4,482,051	-
Revenue bonds, certificates of obligation payable	150,562,242	-	-	150,562,242	-
Net pension liability	2,968,853	687,957	932,711	4,589,521	-
Total OPEB liability	1,643,585	380,860	516,358	2,540,803	-
Total noncurrent liabilities	156,061,606	5,186,420	2,290,222	163,538,248	-
TOTAL LIABILITIES	181,140,648	6,278,823	3,612,067	191,031,538	1,534,127
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	714,725	165,619	224,541	1,104,885	-
Deferred OPEB inflows	11,042	2,559	3,469	17,070	-
TOTAL DEFERRED INFLOWS OF RESOURCES	725,767	168,178	228,010	1,121,955	-
NET POSITION					
Net investment in capital assets	374,016,443	126,021,314	3,390,082	503,427,839	-
Restricted for:					
Use of impact fees	5,467,274	-	-	5,467,274	-
Debt service	8,818,206	-	-	8,818,206	-
Unrestricted	80,468,418	7,742,693	21,238,847	109,449,958	13,607,105
TOTAL NET POSITION	$ 468,770,341	$ 133,764,007	$ 24,628,929	$ 627,163,277	$ 13,607,105

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, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Nonmajor Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	$ 102,017,917	$ 8,513,417	$ 13,050,437	$ 123,581,771	$ 26,224,215
Intergovernmental	-	207,000	-	207,000	-
Miscellaneous	27,818	-	131,650	159,468	338,173
Total operating revenues	102,045,735	8,720,417	13,182,087	123,948,239	26,562,388
OPERATING EXPENSES					
Personnel services	10,733,808	2,437,504	3,256,664	16,427,976	-
Materials, supplies and services	637,117	2,628,211	124,080	3,389,408	17,210,440
Maintenance	2,701,097	308,995	235,573	3,245,665	-
Purchase of water	57,176,000	-	-	57,176,000	-
Contract payments	6,179,644	563,483	7,641,711	14,384,838	2,685,075
Utilities	1,113,086	185,305	3,248	1,301,639	-
Depreciation and amortization	11,216,726	4,639,426	270,031	16,126,183	-
Other	3,718,664	549,104	99,284	4,367,052	3,474,929
Total operating expenses	93,476,142	11,312,028	11,630,591	116,418,761	23,370,444
Operating income (loss)	8,569,593	(2,591,611)	1,551,496	7,529,478	3,191,944
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental	-	914,153	-	914,153	-
Investment income	3,565,989	81,976	364,723	4,012,688	147,549
Interest and fiscal charges	(6,030,910)	(69,650)	-	(6,100,560)	-
Gain (loss) from disposal of assets	(120,198)	1,876	21,414	(96,908)	-
Total non-operating revenues (expenses)	(2,585,119)	928,355	386,137	(1,270,627)	147,549
Income (loss) before contributions and transfers	5,984,474	(1,663,256)	1,937,633	6,258,851	3,339,493
Contributions	23,151,618	4,595,494	267,416	28,014,528	-
Transfers in	-	8,000,000	83,873	8,083,873	-
Transfers out	(6,493,026)	-	(2,929,499)	(9,422,525)	(1,000,000)
Change in net position	22,643,066	10,932,238	(640,577)	32,934,727	2,339,493
Net position - beginning	446,127,275	122,831,769	25,269,506	594,228,550	11,267,612
TOTAL NET POSITION - ending	$ 468,770,341	$ 133,764,007	$ 24,628,929	$ 627,163,277	$ 13,607,105

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, 2020

	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	$ 103,548,511	$ 8,787,619	$ 13,031,651	$ 125,367,781	$ 26,438,742
Other operating revenues	27,818	10,060,114	131,650	10,219,582	338,173
Cash payments to employees for services	(10,037,428)	(2,293,896)	(3,065,650)	(15,396,974)	-
Cash payments to suppliers for goods and services	(69,926,492)	(4,035,884)	(8,568,134)	(82,530,510)	(23,262,192)
Net cash provided by operating activities	23,612,409	12,517,953	1,529,517	37,659,879	3,514,723
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	8,000,000	83,873	8,083,873	-
Cash received from other funds	-	-	407,642	407,642	
Transfers to other funds	(6,493,026)	-	(2,929,499)	(9,422,525)	(1,000,000)
Net cash provided by (used in) non-capital financing activities	(6,493,026)	8,000,000	(2,437,984)	(931,010)	(1,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(11,595,000)	-	-	(11,595,000)	-
Bond proceeds	22,075,000	-	-	22,075,000	-
Principal paid on interfund loans	-	(355,350)	(52,292)	(407,642)	-
Interest and fiscal charges on debt	(3,586,511)	(69,650)	-	(3,656,161)	-
Acquisition and construction of capital assets	(29,022,873)	(11,204,416)	(530,433)	(40,757,722)	-
Proceeds from sale of assets	3,429,253	11,782	21,414	3,462,449	-
Net cash used in capital and related financing activities	(18,700,131)	(11,617,634)	(561,311)	(30,879,076)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	-	-	(1,071,390)	(1,071,390)	-
Proceeds from sale and maturities of securities	24,307,639	-	-	24,307,639	-
Investment earnings	3,565,989	81,976	364,723	4,012,688	147,549
Net cash provided by (used in) investing activities	27,873,628	81,976	(706,667)	27,248,937	147,549
Net increase (decrease) in cash	26,292,880	8,982,295	(2,176,445)	33,098,730	2,662,272
Cash and cash equivalents at beginning of year	136,749,662	7,996,748	16,305,840	161,052,250	12,150,274
Cash and cash equivalents at end of year	$ 163,042,542	$ 16,979,043	$ 14,129,395	$ 194,150,980	$ 14,812,546
RECONCILIATION OF TOTAL CASH TO THE STATEMENT OF NET POSITION					
Unrestricted cash and cash equivalents	$ 45,577,237	$ 3,952,675	$ 14,119,395	$ 63,649,307	$ 14,722,546
Restricted cash and cash equivalents	117,465,305	13,026,368	10,000	130,501,673	90,000
	$ 163,042,542	$ 16,979,043	$ 14,129,395	$ 194,150,980	$ 14,812,546
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 8,569,593	$ (2,591,611)	$ 1,551,496	$ 7,529,478	$ 3,191,944
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	11,216,726	4,639,426	270,031	16,126,183	-
Change in assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	1,671,571	16,566	(26,085)	1,662,052	214,527
Accrued interest receivable	127,957	-	7,299	135,256	
Due from other funds	(661)	-	-	(661)	-
Inventory	(268,273)	50,636	-	(217,637)	-
Prepaid expense	884,881	10,060,114	(317,792)	10,627,203	-
Increase (decrease) in liabilities:					
Accounts payable	147,333	86,775	(195,283)	38,825	80,558
Accrued liabilities	326,400	67,677	46,841	440,918	27,694
Due to other funds	(41,452)	-	1,996	(39,456)	-
Compensated absences	191,168	26,741	77,116	295,025	-
Deposits	281,954	44,762	-	326,716	-
Net pension liability and OPEB obligation	505,212	116,867	113,898	735,977	-
Total adjustments	15,042,816	15,109,564	(21,979)	30,130,401	322,779
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 23,612,409	$ 12,517,953	$ 1,529,517	$ 37,659,879	$ 3,514,723
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Contributions of capital assets	$ 23,151,618	$ 4,595,494	$ 267,416	$ 28,014,528	$ -
Non-cash change in fair value of assets	(120,198)	-	-	(120,198)	-
Non-cash grants	-	914,153	-	914,153	

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

City of McKinney, Texas
Statement of Agency Assets and Liabilities
Fiduciary Fund
September 30, 2020

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	$ 331,604
TOTAL ASSETS	$ 331,604
LIABILITIES	
Developer escrows	$ 331,604
TOTAL LIABILITIES	$ 331,604

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

City of McKinney, Texas

Statement of Net Position

Discretely Presented Component Units

September 30, 2020

	Governmental Activities				Business-Type Activities	
ASSETS	McKinney Economic Dev. Corporation	McKinney Community Dev. Corporation	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	McKinney Housing Finance Corporation	Total
Cash and cash equivalents	$ 11,427,105	$ 60,839,772	$ 146,396	116,500	$ 811,847	$ 73,341,620
Receivables (net of allowance						
for uncollectibles)	2,808,763	2,808,763	-	2,000	7,500	5,627,026
Prepaid items	23,528	2,977	3,800	584	-	30,889
Other assets	-	-	-	-	51	51
Restricted assets:						
Cash and cash equivalents	1,819,605	-	-	-	-	1,819,605
Capital assets:						
Non depreciable	66,905,887	630,952	-	-	3,146,775	70,683,614
Depreciable (net)	20,342	123,197	-	162,527	-	306,066
Total assets	83,005,230	64,405,661	150,196	281,611	3,966,173	151,808,871
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension outflows	129,928	33,312	50,658	-	-	213,898
Deferred OPEB outflows	25,039	6,419	9,762	-	-	41,220
Deferred charge for refunding	44,709	-	-	-	-	44,709
Total deferred outflows of resources	199,676	39,731	60,420	-	-	299,827
LIABILITIES						
Accounts payable	170,486	52,114	11,148	9,371	-	243,119
Other accrued liabilities	53,074	12,846	21,407	43	-	87,370
Unearned revenue	-	-	-	11,336	3,235,009	3,246,345
Accrued interest payable	67,081	86,106	-	-	-	153,187
Non-current liabilities:						
Due within one year:						
Compensated absences	5,881	2,815	4,131	-	-	12,827
Bonds payable	3,130,000	1,030,000	-	-	-	4,160,000
Due in more than one year:						
Compensated absences	92,135	44,093	64,726	-	-	200,954
Bonds payable	20,600,000	18,350,000	-	-	-	38,950,000
Net pension liability	373,990	95,881	145,815	-	-	615,686
Total OPEB liability	207,044	53,081	80,724	-	-	340,849
Total liabilities	24,699,691	19,726,936	327,951	20,750	3,235,009	48,010,337
DEFERRED INFLOWS OF RESOURCES						
Deferred pension inflows	90,035	23,083	35,104	-	-	148,222
Deferred OPEB inflows	1,391	357	542	-	-	2,290
Total deferred inflows of resources	91,426	23,440	35,646	-	-	150,512
NET POSITION						
Net investment in capital assets	44,763,471	(18,625,851)	-	162,527	3,146,775	29,446,922
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt service	1,752,524	-	-	-	-	1,752,524
Unrestricted	11,897,794	63,320,867	(152,981)	98,334	(2,415,611)	72,748,403
TOTAL NET POSITION (DEFICIT)	$ 58,413,789	$ 44,695,016	$ (152,981)	$ 260,861	$ 731,164	$ 103,947,849

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, 2020

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
McKinney Economic Dev. Corporation	$ 14,493,404	$ -	$ 280	$ -
McKinney Community Dev. Corporation	12,191,997	-	-	-
McKinney Convention & Visitors Bureau	783,204	-	828,000	-
McKinney Main Street Corporation	552,201	385,905	113,581	-
Total governmental activities	28,020,806	385,905	941,861	-
Business-type activities:				
McKinney Housing Finance Corporation	22,536	649,009	-	-
Total business-type activities				
TOTAL COMPONENT UNITS	$ 28,043,342	$ 1,034,914	$ 941,861	$ -

General revenues:
Sales taxes
Investment income
Miscellaneous
Total general revenues
Change in net position
Net position - beginning
Change in reporting entity
Net position - beginning, as restated
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
$ (14,493,124)	$ -	$ -	$ -	$ -	$ (14,493,124)
-	(12,191,997)	-	-	-	(12,191,997)
-	-	44,796	-	-	44,796
-	-	-	(52,715)	-	(52,715)
(14,493,124)	(12,191,997)	44,796	(52,715)	-	(26,693,040)
-	-	-	-	626,473	626,473
$ (14,493,124)	$ (12,191,997)	$ 44,796	$ (52,715)	$ 626,473	$ (26,066,567)
$ 16,099,254	$ 16,099,254	$ -	$ -	$ -	$ 32,198,508
148,447	665,420	527	163	612	815,169
-	-	3,552	-	-	3,552
16,247,701	16,764,674	4,079	163	612	33,017,229
1,754,577	4,572,677	48,875	(52,552)	627,085	6,950,662
56,659,212	40,122,339	(201,856)	313,413	-	96,893,108
-	-	-	-	104,079	104,079
56,659,212	40,122,339	(201,856)	313,413	104,079	96,997,187
$ 58,413,789	$ 44,695,016	$ (152,981)	$ 260,861	$ 731,164	$ 103,947,849

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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, 2020.

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 City of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Prosper who are 65 years of age or older or are disabled. MUTD services almost exclusively benefit the primary government even though it does not provide services directly to the City.

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

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

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

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

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.

McKinney Housing Finance Corporation Restatement

During fiscal year 2020, the City re-evaluated the presentation of MHFC in accordance with GASB Statement No. 61: The Financial Reporting Entity: Omnibus- An Amendment of GASB Statements No. 14 and 34. Because MHFC's pricing policies and its related activities in fiscal year 2020 establish fees and charges designed to recover its costs, the City changed its presentation for MHFC from a blended component unit special revenue fund to a discretely presented enterprise fund during the year ended September 30, 2020. Consistent with GASB Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 62 which addresses reporting a change in entity, the City has restated the fiscal year 2019 financial statements. The effects of this change for fiscal year ended September 30, 2019 are as follows:

	Blended Special Revenue Fund (MHFC)		
	As originally stated 9/30/2019	Adjustment for MHFC (change to discrete presentation)	As restated 9/30/2019
Cash including restricted cash and investments	$ 104,424	$ (104,424)	$ -
Total assets	104,424	(104,424)	-
Liabilities	345	(345)	-
Unassigned fund balance	104,079	(104,079)	-
Total liabilities and fund balance	104,424	(104,424)	-
Total revenues	33,628	(33,628)	-
Total expenditures	51,467	(51,467)	-
Net change in fund balance	$ 85,095	$ (85,095)	$ -

	Discretely Presented Enterprise Fund (MHFC)		
	As originally stated 9/30/2019	Adjustment for MHFC (change to discrete presentation)	As restated 9/30/2019
Current assets:			
Cash and cash equivalents	$ -	$ 104,424	$ 104,424
Total assets	-	104,424	104,424
Current liabilities	-	345	345
Net position	-	104,079	104,079
Total liabilities and net position	-	104,424	104,424
Operating revenues: Charges for services	-	33,096	33,096
Total operating expenses	-	51,467	51,467
Operating income	-	(18,371)	(18,371)
Nonoperating revenues	-	532	532
Change in net position	$ -	$ (17,839)	$ (17,839)

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, capital projects fund, and the grants 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 non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, 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.

d. **The Grants Fund** is used account for local, state, federal, and private grants received for governmental operations and projects.

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

2. Proprietary Funds:

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

3. Agency fund:

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others.

The City’s fiduciary activities are reported in a Statement of Fiduciary Assets and Liabilities. The activities of these funds are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

Cash, Cash Equivalents, and Investments

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

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

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

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

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

Inventories and Prepaid Items

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

Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2020, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

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

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 more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

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

Assets	Years
Buildings/Structures	10 to 50
Land Improvements	20
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

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.

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.

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, 2020:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:			
Retiree Health Care Plan	$ 18,993,940	$ 2,296,966	$ 127,611
Supplemental Death Benefits Plan	2,230,763	774,080	476,653
	$ 21,224,703	$ 3,071,046	$ 604,264
Business-Type Activities:			
Retire Health Care Plan	$ 2,540,803	$ 307,264	$ 17,070
Component Units:			
Retire Health Care Plan	$ 340,849	$ 41,220	$ 2,290

For the year ended September 30, 2020, the City recognized aggregate OPEB expense of $2,416,126.

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 position 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 on refundings – A deferred charge on 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 position 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 three 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.

Fund Equity

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

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

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

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

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

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

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

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

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 2020, the total amendments to the original adopted budgeted amounts resulted in a $1,798,795 decrease in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund, Grants 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, 2020, consist of and are classified in the accompanying financial statements as follows:

PRIMARY GOVERNMENT		
Statement of net position:		
Cash and cash equivalents	$	235,746,936
Investments		36,698,578
Restricted cash and cash equivalents		282,921,988
Restricted investments		6,963,573
Total cash and investments	$	562,331,075
Cash on hand	$	11,026
Deposits with financial institution, excluding certificates of deposit		22,034,983
Investments		540,285,066
Total cash and investments	$	562,331,075
COMPONENT UNITS		
Statement of net position:		
Cash and cash equivalents	$	73,341,620
Restricted cash and cash equivalents		1,819,605
Total cash and investments	$	75,161,225
Cash on hand	$	400
Deposits with financial institution, excluding certificates of deposit		1,424,557
Investments		73,736,268
Total cash and investments	$	75,161,225

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, 2020, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
PRIMARY GOVERNMENT		
TexPool	$ 98,308,545	38 days
TexPool Prime	35,294,332	53 days
LOGIC	166,340,935	48 days
Texas Daily	98,855,187	53 days
Texas CLASS	97,823,916	56 days
Federal Agency Securities	43,662,151	
Total Fair Value	$ 540,285,066	
COMPONENT UNITS		
TexPool	$ 3,443,455	38 days
TexPool Prime	18,852,262	53 days
LOGIC	15,515,378	48 days
Texas Daily	22,623,070	53 days
Texas CLASS	13,302,103	56 days
Total Fair Value	$ 73,736,268	
Total Fair Value - Reporting Entity	$ 614,021,334	

* 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	$ 98,308,545	AAA/AAA-m	AAA-m
TexPool Prime	35,294,332	AAA/AAA-m	AAA-m
LOGIC	166,340,935	AAA/AAA-m	AAA-m
Texas Daily	98,855,187	AAA/AAA-m	AAA-m
Texas CLASS	97,823,916	AAA/AAA-m	AAA-m
Federal Agency Securities	43,662,151	AAA	AAA
	$ 540,285,066		

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End
COMPONENT UNITS			
TexPool	$ 3,443,455	AAA/AAA-m	AAA-m
TexPool Prime	18,852,262	AAA/AAA-m	AAA-m
LOGIC	15,515,378	AAA/AAA-m	AAA-m
Texas Daily	22,623,070	AAA/AAA-m	AAA-m
Texas CLASS	13,302,103	AAA/AAA-m	AAA-m
	$ 73,736,268		

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, 2020, 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 Southwest Securities Group, Inc. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

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

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

Property Taxes

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

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2020, were 99.56% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2020 and the preceding year are as follows (amounts per $100 assessed value):

	2020	2019
General Fund	$ 0.355393	$ 0.362389
Debt Service	0.160207	0.162781
	$ 0.515600	$ 0.525170

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 2020 ad valorem tax rate of $0.515600 is in compliance with the rate limitation.

Receivables

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

	Governmental Funds					
	General	Debt Service	Capital Projects	Grants	Non-Major Governmental Funds	Total
Interest	$ 70,211	$ -	$ 54,667	$ -	$ -	$ 124,878
Taxes	9,545,082	337,349	-	-	131,287	10,013,718
Accounts	3,654,956	13,620	-	1,435,326	103,961	5,207,863
Notes	1,156,052	-	-	-	-	1,156,052
Due from other governments	1,056,199	-	278,932	213,055	271,304	1,819,490
Gross receivables	15,482,500	350,969	333,599	1,648,381	506,552	18,322,001
Less: allowance	(959,777)	-	-	-	-	(959,777)
Net total receivables and due from other governments	$ 14,522,723	$ 350,969	$ 333,599	$ 1,648,381	$ 506,552	$ 17,362,224

	Business-type Activities			
	Water Wastewater	Airport	Other Enterprise Funds	Total
Customer accounts	$ 12,555,396	$ 36,824	$ 2,021,494	$ 14,613,714
Less: allowance	(215,589)	-	(6,199)	(221,788)
Net total receivables	$ 12,339,807	$ 36,824	$ 2,015,295	$ 14,391,926
Accrued interest receivable	$ 25,581	$ -	$ 2,750	$ 28,331

The business-type activities accounts receivable includes unbilled charges for services rendered at September 30, 2020. The Water and Wastewater Fund also reported restricted interest receivables at yearend of $25,581.

At September 30, 2020, 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 would be met by the corporations the City has elected to expense the advance at the time of transfer. At September 30, 2020, accounts receivable includes $2,808,763 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, 2020.

At September 30, 2020, accounts receivable include $2,808,763 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, 2020.

At September 30, 2020, MMS accounts receivable include $2,000 for services provided. Receivables as of year-end for MMS were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2020.

At September 30, 2020, MHFC accounts receivable include $7,500 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, 2020.

Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 42,585,296	$ 271,343	$ -	$ 4,085,955	$ 46,942,594
Works of art	87,600	6,000	-	-	93,600
Construction in progress	71,128,267	65,645,542	-	(14,160,006)	122,613,803
Total capital assets, not being depreciated	113,801,163	65,922,885	-	(10,074,051)	169,649,997
Capital assets being depreciated:					
Buildings	170,338,749	370,662	-	124,877	170,834,288
Infrastructure	812,542,869	16,682,669	-	9,778,842	839,004,380
Machinery & equipment	68,027,605	7,945,594	(3,626,359)	170,332	72,517,172
Service animals	20,000	18,500	(5,000)	-	33,500
Total capital assets being depreciated	1,050,929,223	25,017,425	(3,631,359)	10,074,051	1,082,389,340
Less accumulated depreciation for:					
Buildings	(46,809,643)	(4,668,236)	-	-	(51,477,879)
Infrastructure	(448,780,320)	(33,329,340)	-	-	(482,109,660)
Machinery and equipment	(42,573,235)	(6,156,595)	3,218,052	-	(45,511,778)
Service animals	(8,906)	(4,326)	667	-	(12,565)
Total accumulated depreciation	(538,172,104)	(44,158,497)	3,218,719	-	(579,111,882)
Total capital assets being depreciated, net	512,757,119	(19,141,072)	(412,640)	10,074,051	503,277,458
Governmental activities, capital assets, net	$ 626,558,282	$ 46,781,813	$ (412,640)	$ -	$ 672,927,455

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets not being depreciated:					
Land	$ 52,366,832	$ -	$ -	$ 1,303,941	$ 53,670,773
Construction in progress	50,301,840	42,497,361	-	(22,685,798)	70,113,403
Total capital assets, not being depreciated	102,668,672	42,497,361	-	(21,381,857)	123,784,176
Capital assets being depreciated:					
Buildings	45,654,242	25,001	-	9,374,524	55,053,767
Infrastructure	536,958,617	21,080,310	(331,899)	12,007,333	569,714,361
Machinery & equipment	15,690,887	2,904,245	(772,847)	-	17,822,285
Total capital assets being depreciated	598,303,746	24,009,556	(1,104,746)	21,381,857	642,590,413
Less accumulated depreciation for:					
Buildings	(13,866,634)	(1,759,102)	-	-	(15,625,736)
Infrastructure	(141,213,344)	(12,506,457)	104,444	-	(153,615,357)
Machinery and equipment	(9,079,550)	(1,467,558)	740,630	-	(9,806,478)
Total accumulated depreciation	(164,159,528)	(15,733,117)	845,074	-	(179,047,571)
Total capital assets being depreciated, net	434,144,218	8,276,439	(259,672)	21,381,857	463,542,842
Business-type activities, capital assets, net	$ 536,812,890	$ 50,773,800	$ (259,672)	$ -	$ 587,327,018

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

Governmental Activities:	
General government	$ 3,181,470
Police	1,755,709
Fire	2,491,839
Libraries	383,812
Development	260,003
Parks and recreation	4,990,648
Public works	31,095,016
Total depreciation expense - governmental activities	$ 44,158,497
Business-type activities:	
Water and Wastewater	$ 11,216,726
Airport	4,246,360
Solid Waste	58,413
Surface Water Drainage	153,342
Golf Course	58,276
Total depreciation expense - business-type activities	15,733,117
Airport	
Amortization of excess cost of consideration	393,066
Total depreciation and amortization - business-type activities	$ 16,126,183

Capital asset activity for discretely presented component units for the year ended September 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets, not being depreciated:					
Land	$ 66,905,887	$ -	$ -	$ -	$ 66,905,887
Total capital assets, not being depreciated	66,905,887	-	-	-	66,905,887
Capital assets, being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	61,087	-	-	-	61,087
Total capital assets being depreciated	318,870	-	-	-	318,870
Less accumulated depreciation for:					
Improvements other than buildings	(257,783)	-	-	-	(257,783)
Machinery and equipment	(30,734)	(10,011)	-	-	(40,745)
Total accumulated depreciation	(288,517)	(10,011)	-	-	(298,528)
Total capital assets, being depreciated, net	30,353	(10,011)	-	-	20,342
Capital Assets, Net	$ 66,936,240	$ (10,011)	$ -	$ -	$ 66,926,229

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MCDC:					
Capital Assets, not being depreciated:					
Land	$ 630,952	$ -	$ -	$ -	$ 630,952
Total capital assets, not being depreciated	630,952	-	-	-	630,952
Capital assets, being depreciated:					
Infrastructure	206,765	-	-	-	206,765
Total capital assets, being depreciated	206,765	-	-	-	206,765
Less accumulated depreciation for:					
Infrastructure	(73,229)	(10,339)	-	-	(83,568)
Total accumulated depreciation	(73,229)	(10,339)	-	-	(83,568)
Total capital assets, being depreciated, net	133,536	(10,339)	-	-	123,197
Capital Assets, Net	$ 764,488	$ (10,339)	$ -	$ -	$ 754,149

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MMS:					
Capital assets being depreciated:					
Infrastructure	$ -	$ 123,203	$ -	$ -	$ 123,203
Machinery & equipment	74,901	-	-	-	74,901
Total capital assets being depreciated	74,901	123,203	-	-	198,104
Less accumulated depreciation for:					
Infrastructure	-	(2,053)	-	-	(2,053)
Machinery and equipment	(22,186)	(11,338)	-	-	(33,524)
Total accumulated depreciation	(22,186)	(13,391)	-	-	(35,577)
Total capital assets being depreciated, net	52,715	109,812	-	-	162,527
Capital Assets, Net	$ 52,715	$ 109,812	$ -	$ -	$ 162,527

Capital Improvement Program Commitments
The City has active construction projects as of September 30, 2020. 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	$ 347,346,366	$ 140,356,643	$ 206,989,723
Water and Wastewater	154,771,867	95,070,278	59,701,589
Airport	35,145,386	16,997,328	18,148,058
Total	$ 537,263,619	$ 252,424,249	$ 284,839,370

Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2020, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	$ 316,433	Franchise fee accrual
General Fund	Solid Waste Fund	38,017	License fee accrual
General Fund	Grants Fund	106,999	To cover cash shortage
General Fund	Non-Major Governmental Funds	99,407	To cover cash shortage
Water/Wastewater Fund	Solid Waste Fund	15,900	Sanitation billing accrual
	Total	$ 576,756	

Transfers between funds during the year were as follows:

	Transfers In						
Transfer Out	General fund	Capital projects	Non-Major governmental funds	Airport	Grants	Non-Major enterprise funds	Total
Capital projects	$ -	$ -	$ -	$ 8,000,000	$ -	$ -	$ 8,000,000
Internal service	1,000,000	-	-	-	-	-	1,000,000
Non-Major enterprise funds	929,499	2,000,000	-	-	-	-	2,929,499
General fund	-	3,500,000	100,000	-	205,500	-	3,805,500
Non-Major governmental funds	4,346,341	198,577	-	-	-	-	4,544,918
Water and wastewater	3,909,153	2,500,000	-	-	-	83,873	6,493,026
	$ 10,184,993	$ 8,198,577	$ 100,000	$ 8,000,000	$ 205,500	$ 83,873	$ 26,772,943

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 $2,652,652 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees.
- A transfer of $4,081,391 was made from a nonmajor governmental fund to the general fund for a capital asset purchase.
- Transfers of $3,500,000 were made from the general fund and $2,500,000 from the water and wastewater fund to the capital projects fund for CIP projects.
- Transfer of $8,000,000 was made from the capital projects fund to the airport fund to transfer proceeds from the debt issued by the primary government for airport expansion.

In addition to the schedule above, transfers of $267,416 consisting of capital assets were made from governmental activities to enterprise funds.

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, 2020, is $576,753. 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, 2020, the outstanding balance was $4,319,150.

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	Grants Fund	Total Unavailable Revenue	Total Unearned Revenue
Tax revenue	$ 754,602	$ 338,600	$ -	$ -	$ 1,093,202	$ -
Court revenue	17,365	-	-	-	17,365	-
EMS revenue	798,858	-	-	-	798,858	-
Franchise fees	1,045,263	-	-	-	1,045,263	-
Miscellaneous	585,151	-	-	-	-	585,151
Grants	-	-	37,558	6,807,421	-	6,844,979
	$ 3,201,239	$ 338,600	$ 37,558	$ 6,807,421	$ 2,954,688	$ 7,430,130

Long-Term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 219,165,000	$ 59,515,000	$ (37,365,000)	$ 241,315,000	$ 26,060,000
Certificates of obligation	35,045,000	8,085,000	(10,800,000)	32,330,000	2,060,000
	254,210,000	67,600,000	(48,165,000)	273,645,000	28,120,000
Issuance premium	23,071,416	11,835,261	(3,540,353)	31,366,324	4,309,414
Total bonds payable	277,281,416	79,435,261	(51,705,353)	305,011,324	32,429,414
Capital lease	4,552,459	-	(4,552,459)	-	-
Net pension liability	49,527,143	-	(15,217,867)	34,309,276	-
Total OPEB liability	18,146,794	3,077,909	-	21,224,703	-
Compensated absences	12,258,749	2,200,302	(442,174)	14,016,877	841,013
Governmental activities - long-term debt	$ 361,766,561	$ 84,713,472	$ (71,917,853)	$ 374,562,180	$ 33,270,427
Business-type activities:					
Bonds payable:					
Water and Wastewater revenue bonds	$ 133,020,000	$ 22,075,000	$ (11,595,000)	$ 143,500,000	$ 8,625,000
Issuance premium	15,272,986	4,130,897	(1,751,494)	17,652,389	1,965,147
Total bonds payable	148,292,986	26,205,897	(13,346,494)	161,152,389	10,590,147
Net pension liability	6,236,682	-	(1,647,161)	4,589,521	-
Total OPEB liability	2,027,999	512,804	-	2,540,803	-
Compensated absences	1,155,646	435,868	(140,843)	1,450,671	87,040
Business-type activities - long-term debt	$ 157,713,313	$ 27,154,569	$ (15,134,498)	$ 169,733,384	$ 10,677,187

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MEDC:					
Bonds payable					
Sales tax revenue bonds	$ 26,745,000	$ -	$ (3,015,000)	$ 23,730,000	$ 3,130,000
Net pension liability	686,178	-	(312,188)	373,990	-
Total OPEB liability	223,126	-	(16,082)	207,044	-
Compensated absences	80,279	17,737	-	98,016	5,881
Component unit activities Long-term debt	$ 27,734,583	$ 17,737	$ (3,343,270)	$ 24,409,050	$ 3,135,881
MCDC:					
Bonds payable					
Sales tax revenue bonds	$ 20,390,000	$ -	$ (1,010,000)	$ 19,380,000	$ 1,030,000
Net pension liability	110,520	-	(14,639)	95,881	-
Total OPEB liability	35,938	17,143	-	53,081	-
Compensated absences	40,405	6,503	-	46,908	2,815
Component unit activities Long-term debt	$ 20,576,863	$ 23,646	$ (1,024,639)	$ 19,575,870	$ 1,032,815
MCVB:					
Net pension liability	$ 201,710	$ -	$ (55,895)	$ 145,815	$ -
Total OPEB liability	65,591	15,133	-	80,724	-
Compensated absences	64,544	4,313	-	68,857	4,131
Component unit activities Long-term debt	$ 331,845	$ 19,446	$ (55,895)	$ 295,396	$ 4,131

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 $273,645,000 of Bonds and Certificates of Obligation with interest rates ranging from 1.00% to 5.00% maturing annually in varying amounts through 2040. 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 August 2020, the City issued $40,290,000 General Obligation Bonds, Series 2020A. The debt was issued for various public improvements. The bonds were issued with a premium of $8,500,186 with interest rates ranging from 2.00% to 5.00% and mature through 2040.

In August 2020, the City issued $19,255,000 General Obligation Refunding Bonds, Series 2020B. The debt was issued to refund remaining amounts of two prior issuances including the General Obligation Bonds, Series 2010 of $13,315,000 and the Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2010 of $8,930,000. The bonds were issued with a premium of $3,257,565 with interest rates ranging from 2.00% to 5.00% and matures through 2030. This refunding resulted in a net present value savings of $4,925,984. The net carrying amount of the reacquisition price exceeds the old debt by $58,303.

In August 2020, the City issued $8,085,000 Tax & Limited Pledge Airport Revenue Certificates of Obligation, Series 2020. The debt was issued to make various permanent public improvements of the Airport System for the City. The bonds were issued with a premium of $77,510 with interest rates ranging from 1.00% to 3.00% and mature through 2040.

Debt service requirements of the general obligation bonds and certificates of obligation bonds for the years subsequent to September 30, 2020, 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
2021	$ 26,060,000	$ 10,640,034	$ 36,700,034	$ 2,060,000	$ 1,096,689	$ 3,156,689	$ 39,856,723
2022	19,555,000	9,465,586	29,020,586	2,105,000	1,042,833	3,147,833	32,168,419
2023	20,200,000	8,501,406	28,701,406	2,180,000	973,138	3,153,138	31,854,544
2024	19,795,000	7,527,231	27,322,231	2,255,000	899,024	3,154,024	30,476,255
2025	15,530,000	6,540,631	22,070,631	2,200,000	819,946	3,019,946	25,090,577
2026-2030	63,035,000	22,842,549	85,877,549	10,220,000	2,969,445	13,189,445	99,066,994
2031-2035	51,350,000	9,849,209	61,199,209	9,040,000	1,302,170	10,342,170	71,541,379
2036-2040	25,790,000	1,711,744	27,501,744	2,270,000	137,783	2,407,783	29,909,527
	$ 241,315,000	$ 77,078,390	$ 318,393,390	$ 32,330,000	$ 9,241,028	$ 41,571,028	$ 359,964,418

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 2040 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, 2020.

In August 2020, the City issued $22,075,000 of Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2020. The debt was issued to refund remaining amounts of the Waterworks and Sewer System Revenue Bonds, Series 2010 of $3,570,000. The bonds were issued with a premium of $4,130,897 with interest rates ranging from 2.00% to 5.00% and matures through 2040. This refunding resulted in a net present value savings of $589,523. The net carrying amount of the reacquisition price exceeds the old debt by $68,645.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2020, are as follows:

	Revenue Bonds		
Fiscal Year	Principal Requirements	Interest Requirements	Total Requirements
2021	$ 8,625,000	$ 5,966,338	$ 14,591,338
2022	8,940,000	5,534,225	14,474,225
2023	9,200,000	5,147,163	14,347,163
2024	9,450,000	4,771,331	14,221,331
2025	9,600,000	4,340,744	13,940,744
2026-2030	36,315,000	16,133,319	52,448,319
2031-2035	36,795,000	8,060,122	44,855,122
2036-2040	24,575,000	1,320,550	25,895,550
	$ 143,500,000	$ 51,273,792	$ 194,773,792

Sales Tax Revenue Bonds
The sales tax revenue bonds are serial obligations with interest rates ranging from 2.48% to 4.38%, maturing annually in varying amounts through years 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, 2020.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2020, are as follows:

	Sales Tax Revenue Bonds		
MEDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2021	$ 3,130,000	$ 832,733	$ 3,962,733
2022	3,250,000	725,582	3,975,582
2023	3,375,000	614,312	3,989,312
2024	3,510,000	498,021	4,008,021
2025	3,640,000	376,252	4,016,252
2026-2028	6,825,000	504,065	7,329,065
	$ 23,730,000	$ 3,550,965	$ 27,280,965

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2021	$ 1,030,000	$ 688,848	$ 1,718,848
2022	1,055,000	663,284	1,718,284
2023	1,085,000	636,044	1,721,044
2024	1,115,000	605,436	1,720,436
2025	1,145,000	572,867	1,717,867
2026-2030	6,320,000	2,271,142	8,591,142
2031-2035	7,630,000	968,905	8,598,905
	$ 19,380,000	$ 6,406,526	$ 25,786,526

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, 2020, the aggregate outstanding conduit debt is $68,847,473.

Capital Leases
In prior years, the City entered into two capital leases to acquire fire trucks classified as general government machinery and equipment in the gross amount of $2,451,255 with a net book value of $1,317,523. The final payment was made in fiscal year 2020, leaving a remaining lease liability of $0 at September 30, 2020. In February 2019, a 5-year capital lease of $4,600,000 commenced along with a $3,000,000 down payment to acquire a downtown parking garage and related land. These assets were classified as general government buildings and land in the gross amount of $7,600,000 with a net book value of $6,303,996 for buildings and $1,021,917 for land. In November 2019, the City exercised its option for early purchase of the parking garage and land, and thus the remaining lease liability was $0 at September 30, 2020.

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:			
Operating Fund	$ 4,210,665	$ -	$ 4,210,665
Utility Capital Projects Fund	96,817,330	-	96,817,330
Utility Development Impact Fee	5,467,274	-	5,467,274
Revenue Debt Service Fund	9,145,119	-	9,145,119
Revenue Bond Reserve Fund	8,788,490	25,581	8,814,071
Airport Funds:			
Operating Fund	152,514	-	152,514
Airport Construction Fund	12,873,854	-	12,873,854
Golf Course Fund	10,000	-	10,000
	$ 137,465,246	$ 25,581	$ 137,490,827

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, 2020, 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 the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

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

Note 5. Pension Plan

Plan Description

The City and three of its component units participate as one of 887 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 (CAFR) that can be obtained at www.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 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.

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	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms:

At the December 31, 2019, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	342
Inactive employees entitled to but not yet receiving benefits	492
Active employees	1,155
	1,989

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2020, the City and its component units made contributions of $13,332,675 or 14.95% of covered payroll.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 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 in order 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 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30%	5.30%
Core fixed income	10%	1.25%
Non-core fixed income	20%	4.14%
Real return	10%	3.85%
Real estate	10%	4.00%
Absolute return	10%	3.48%
Private equity	10%	7.75%
	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 employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by 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 plan 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 October 1, 2019	$ 299,674,599	$ 242,912,366	$ 56,762,233
Changes for the year:			
Service cost	15,704,599	-	15,704,599
Interest on total pension liability	20,486,802	-	20,486,802
Effect of difference in expected and actual experience	1,546,692	-	1,546,692
Change in assumptions	1,126,181	-	1,126,181
Benefit payments	(8,037,441)	(8,037,441)	-
Administrative expenses	-	(212,196)	212,196
Member contributions	-	5,939,071	(5,939,071)
Net investment income	-	37,605,557	(37,605,557)
Employer contributions	-	12,785,966	(12,785,966)
Other	-	(6,374)	6,374
Balances as of September 30, 2020	$ 330,501,432	$ 290,986,949	$ 39,514,483
City	$ 325,345,610	$ 286,446,813	$ 38,898,797
Component Units	$ 5,155,822	$ 4,540,136	$ 615,686

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

The following presents the net pension liability of the City and its component units, calculated using the discount rate of 6.75%, as well as what the City and its component unit'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	$ 91,809,751	$ 38,898,797	$ (4,044,780)
Component unit's net pension liability:			
MEDC	896,895	373,990	(39,514)
MCDC	229,940	95,881	(10,130)
MCVB	349,690	145,815	(15,406)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2020, the City and its component units recognized pension expense of $14,510,021 and $229,664, respectively.

At September 30, 2020, 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	$ 3,069,067	$ (794,652)	$ 29,507	$ (7,629)
Changes in assumptions	937,019	-	9,009	-
Differences between projected and actual investment earnings	-	(8,571,010)	-	(82,406)
Contributions subsequent to the measurement date	9,507,746	-	91,412	-
Total	$ 13,513,832	$ (9,365,662)	$ 129,928	$ (90,035)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,565	$ (1,956)	$ 11,505	$ (2,975)
Changes in assumptions	2,310	-	3,512	-
Differences between projected and actual investment earnings	-	(21,127)	-	(32,129)
Contributions subsequent to the measurement date	23,437	-	35,641	-
Total	$ 33,312	$ (23,083)	$ 50,658	$ (35,104)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $9,507,746 and $150,490 will be recognized as a reduction of the net pension liability of the City and its component units, respectively, for the year ending September 30, 2021**.**

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
2021	$ (1,709,905)	$ (16,704)	$ (4,283)	$ (6,513)
2022	(1,535,016)	(14,996)	(3,844)	(5,847)
2023	1,085,007	10,600	2,717	4,133
2024	(3,738,763)	(36,524)	(9,364)	(14,240)
2025	353,141	3,450	884	1,345
Thereafter	185,960	2,655	682	1,035
Total	$ (5,359,576)	$ (51,519)	$ (13,208)	$ (20,087)

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, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	25
Terminated employees eligible for benefits, but not yet enrolled	-
Active employees	1,130
Total	1,155

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 $2,169,408 and $(767), respectively.

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

CITYCARE PPO		CITYCARE PLUS PPO	
Single Coverage	$ 703	Single Coverage	$ 777
Single + Spouse	1,460	Single + Spouse	1,718
Single + Children	1,291	Single + Children	1,507
Single + Family	1,922	Single + Family	2,244

Actuarial Methods and Assumptions
Significant methods and assumptions used in the December 31, 2019, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	2.75% as of December 31, 2019
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumption	Based on the experience study covering the four-year period ending December 31, 2018, as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 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 3.71% as of December 31, 2028 to 2.75% as of December 31, 2019. Additionally, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study.

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 $21,534,743 (City) and $340,849 (Component Units) was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2019.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2020:

Balance as of October 1, 2019	$ 18,457,524
Changes for the year:	
Service cost	1,207,678
Interest on total OPEB liability	704,301
Difference between expected and actual experience of the total OPEB liability	(162,427)
Change of assumptions	1,823,548
Benefit payments	(155,032)
Balance as of September 30, 2019	$ 21,875,592
City	$ 21,534,743
Component Units	$ 340,849

Although not considered contributions under GASB 75, the City has assigned $6,565,427 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, 2020, the City and its component units recognized OPEB expense of $2,188,027. At September 30, 2020, 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	$ 241,467	$ (144,681)	$ 2,322	$ (1,391)
Changes in assumptions	2,314,751	-	22,255	-
Contributions subsequent to the measurement date	48,012	-	462	-
Total	$ 2,604,230	$ (144,681)	$ 25,039	$ (1,391)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 595	$ (357)	$ 905	$ (542)
Changes in assumptions	5,706	-	8,677	-
Contributions subsequent to the measurement date	118	-	180	-
Total	$ 6,419	$ (357)	$ 9,762	$ (542)

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of $48,002 and $760 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, 2021.

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
2021	$ 271,748	$ 2,613	$ 670	$ 1,019
2022	271,748	2,613	670	1,019
2023	271,748	2,613	670	1,019
2024	271,748	2,613	670	1,019
2025	271,748	2,613	670	1,019
Thereafter	1,052,797	10,121	2,594	3,945
Total	$ 2,411,537	$ 23,186	$ 5,944	$ 9,040

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	$ 23,783,759	$ 21,534,743	$ 19,489,487
Component unit's total OPEB liability:			
MEDC	228,667	207,044	187,380
MCDC	58,624	53,081	48,039
MCVB	89,155	80,724	73,058

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	$ 18,608,939	$ 21,534,743	$ 25,059,303
Component unit's total OPEB liability:			
MEDC	178,914	207,044	240,931
MCDC	45,869	53,081	61,768
MCVB	69,757	80,724	93,936

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, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries receiving benefits	236
Terminated employees eligible for benefits, but not yet enrolled	121
Active employees	1,155
Total	1,512

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, 2019, actuarial valuation are as follows:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	2.75% as of December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Total OPEB Liability
The City's total OPEB liability of $2,203,763 was measured as of December 31, 2019, 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, 2020:

Balance as of October 1, 2019	$	2,041,922
Changes for the year:		
Service cost		127,266
Interest on total OPEB liability		77,959
Difference between expected and actual experience of the total OPEB liability		(414,160)
Change of assumptions		406,260
Benefit payments		(8,484)
Balance as of September 30, 2019	$	2,230,763

OPEB Expense and Deferred and Outflows and Inflows of Resources Related to OPEB
For the year ended September 30, 2020, the City recognized OPEB expense of $228,099.

At September 30, 2020, 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	$	231,035	$	(364,560)
Changes in assumptions		458,787		(112,093)
Contributions subsequent to the measurement date		84,258		-
Total	$	774,080	$	(476,653)

Benefit payments subsequent to the measurement date and before fiscal year-end of $84,258 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2021.

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

Year Ended September 30		
2021	$	37,024
2022		37,024
2023		37,024
2024		37,024
2025		37,024
Thereafter		28,049
Total	$	213,169

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 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	$ 2,785,734	$ 2,230,763	$ 1,809,327

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, 2020:

	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	$ 43,662,151	$ -	$ 43,662,151	$ -
Total Investments by Fair Value Level	$ 43,662,151	$ -	$ 43,662,151	$ -
Investments Measured at Net Asset Value				
LOGIC	166,340,935			
TexasDaily	98,855,187			
TexasCLASS	97,823,916			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	133,602,877			
Total Investments	$ 540,285,066			
MEDC				
Investments Measured at Net Asset Value				
LOGIC	$ 830,989			
TexasDaily	5,842,412			
TexasCLASS	2,849,000			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	3,406,893			
Total Investments	$ 12,929,294			
MCDC				
Investments Measured at Net Asset Value				
LOGIC	$ 14,684,389			
TexasDaily	16,780,658			
TexasCLASS	10,453,103			
Investments Measured at Amortized Cost				
TexPool/TexPool Prime	18,888,824			
Total Investments	$ 60,806,974			

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, 2020, 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, 2020, were $35,501,950.

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, 2020, was $21,674,050.

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, 2020, was $5,583,969.

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, 2020, are as follows:

	NTMWD Debt Service*	McKinney's Allocated Share
Water System	$ 2,567,405,000	$ 313,998,061
Wastewater System	625,445,000	128,394,793
Solid Waste System	52,190,000	11,603,458
Total	$ 3,245,040,000	$ 453,996,312

*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 $150,000. The City utilizes Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2020, the City and the City's employees' contributions paid under the Plan were $17,203,004 and $2,919,444 respectively.

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

The City has a workers' compensation deductible of $25,000 per accident, with an annual aggregate retention of $500,000. During 2020, the City contributed $941,620 for workers' compensation coverage.

The City maintains deductibles of $100,000 per occurrence for Error and Omissions, $50,000 per occurrence for Auto Liability, $50,000 per occurrence for Law Enforcement Liability and up to $25,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through STARR Companies with a $10,000 deductible. During 2020, the City contributed $1,454,575 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 2020 and 2019 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2020:				
Health Claims	$ 683,228	$ 17,196,440	$ (17,118,164)	$ 761,504
Workers' Comp	477,914	566,472	(628,517)	415,869
Totals	$ 1,161,142	$ 17,762,912	$ (17,746,681)	$ 1,177,373
2019:				
Health Claims	$ 511,910	$ 18,025,474	$ (17,854,156)	$ 683,228
Workers' Comp	296,976	697,445	(516,507)	477,914
Totals	$ 808,886	$ 18,722,919	$ (18,370,663)	$ 1,161,142

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, 2020, the City paid $911,762 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, 2020, and through February 10, 2021, the date the financial statements were issued.

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