PRELIMINARY OFFICIAL STATEMENT DATED MARCH 28, 2025

Rating: S&P: "AA"

NEW ISSUE – Book-Entry-Only (See "OTHER PERTINENT INFORMATION – Rating" herein)

Interest on the Taxable Bonds (defined below) will be includable in gross income for purposes of federal taxation under existing law, see "TAX MATTERS – TAXABLE BONDS".

$54,310,000*

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

(Collin County, Texas)

Sales Tax Revenue Bonds, Taxable Series 2025A

Dated Date: Date of Delivery
Interest Accrual Date: Date of Delivery **Due: As shown on the inside cover**

The McKinney Economic Development Corporation (the "Corporation" or the "Issuer"), a public, nonprofit corporation created to act on behalf of the City of McKinney, Texas (the "City"), is issuing its Sales Tax Revenue Bonds, Taxable Series 2025A (the "Taxable Bonds") pursuant to the Constitution and the laws of the State of Texas, particularly Texas Local Government Code, Title 12, Subtitle C1, as amended (the "Act") (formerly known as the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Article 5190.6), and specifically Texas Local Government Code, Chapters 501 and 504 as amended, and Resolution No. 2025-03-001 MEDC (the "Resolution") adopted by the Board of Directors of the Corporation which also authorized the Corporation's Tax-Exempt Bonds (as defined on page iv hereof). In the Resolution, the Board of Directors delegated to a designated officer of the Corporation (a "Pricing Officer"), the authority to effect the sale of the Taxable Bonds, and to establish certain terms related to the issuance and sale of the Taxable Bonds. The terms of sale will be included in the "Taxable Pricing Certificate" relating to the Taxable Bonds which will be executed by a Pricing Officer and will complete the sale of the Taxable Bonds (the Resolution as supplemented by the Taxable Pricing Certificate, is referred to as the "Taxable Bond Resolution"). (See "THE BONDS – Authority for Issuance" herein.)

The Taxable Bonds are special obligations of the Corporation and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-half of one percent sales and use tax collected within the boundaries of the City for the benefit of the Corporation. (See "THE SALES TAX – Source and Authorization" herein.)

THE TAXABLE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE TAXABLE BONDS. (See "THE BONDS – Security and Source for Payment" and "THE SALES TAX – Investor Considerations" herein.)

Interest on the Taxable Bonds accrues from the Date of Delivery (defined herein). Interest on the Taxable Bonds will be payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Taxable Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Taxable Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Taxable Bonds ("Beneficial Owners") will not receive physical delivery of the securities representing their interest in the Taxable Bonds purchased. So long as DTC or its nominee is the registered owner of the Taxable Bonds, the principal of and interest on the Taxable Bonds will be payable by BOKF, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Taxable Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Taxable Bonds will be used for the purpose to (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Taxable Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Maturity Schedule and Redemption Features on Inside Cover Page

The Taxable Bonds are being offered by the Corporation concurrently with its Sales Tax Revenue Bonds, Series 2025B (the "Tax-Exempt Bonds") under a common Preliminary Official Statement. The Taxable Bonds and the Tax-Exempt Bonds are hereinafter sometimes collectively referred to as the "Bonds". The Taxable Bonds and Tax-Exempt Bonds are separate and distinct securities offerings being issued and sold independently except for this common Preliminary 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 Taxable Bonds are offered for delivery when, as and if issued, and received by the Underwriters shown below (the "Underwriters") 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, "Forms of Legal Opinions of Bond Counsel"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as counsel to the Underwriters. The Taxable Bonds are expected to be available for initial delivery through the services of DTC on or about April 30, 2025 (the "Date of Delivery").

BOK FINANCIAL SECURITIES, INC.

*Preliminary, subject to change. **BAIRD** **RAYMOND JAMES**

$54,310,000*
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
Sales Tax Revenue Bonds, Taxable Series 2025A
Base CUSIP (1) No.: 581655

$ Serial Bonds

(September 1) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(1)
2032	1,135,000			
2033	1,195,000			
2034	1,255,000			
2035	1,325,000			
2036	1,395,000			
2037	1,465,000			
2038	1,545,000			
2039	1,630,000			
2040	1,720,000			
2041	1,810,000			
2042	1,915,000			
2043	2,030,000			
2044	2,145,000			
2045	2,270,000			
2046	2,400,000			
2047	2,540,000			
2048	2,690,000			
2049	2,850,000			
2050	3,015,000			
2051	3,195,000			
2052	3,385,000			
2053	3,585,000			
2054	3,795,000			
2055	4,020,000			
	54,310,000			

(Interest to accrue from the Date of Delivery)

$ Term Bonds

$______ ____% Term Bond Due September 1, ____ Priced to Yield ____% CUSIP Suffix ___

(Interest to accrue from the Date of Delivery)

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

OPTIONAL REDEMPTION AT PAR . . . The Corporation reserves the right to redeem the Taxable Bonds maturing on and after September 1, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein.

OPTIONAL MAKE-WHOLE REDEMPTION . . . The Taxable Bonds are also subject to optional make-whole call redemption as described herein (see "THE BONDS – Optional Redemption of the Bonds").

MANDATORY REDEMPTION . . . If two or more consecutive serial maturities of the Taxable Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Taxable Bond Resolution and will be described in the final Official Statement. (See "THE BONDS – Mandatory Sinking Fund Redemption.")

*Preliminary, subject to change.

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PRELIMINARY OFFICIAL STATEMENT DATED MARCH 28, 2025

Rating: S&P: "AA"

NEW ISSUE – Book-Entry-Only (See "OTHER PERTINENT INFORMATION – Rating" herein)

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

$10,730,000*

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

(Collin County, Texas)

Sales Tax Revenue Bonds, Series 2025B

Dated Date: Date of Delivery
Interest Accrual Date: Date of Delivery **Due: As shown on page v**

The McKinney Economic Development Corporation (the "Corporation" or the "Issuer"), a public, nonprofit corporation created to act on behalf of the City of McKinney, Texas (the "City"), is issuing its Sales Tax Revenue Bonds, Series 2025B (the "Tax-Exempt Bonds") pursuant to the Constitution and the laws of the State of Texas, particularly Texas Local Government Code, Title 12, Subtitle C1, as amended (the "Act") (formerly known as the Development Corporation Act of 1979, Tex. Rev. Civ. Stat. Ann. Article 5190.6), and specifically Texas Local Government Code, Chapters 501 and 504 as amended, and the Resolution. In the Resolution, the Board of Directors delegated to a designated officer of the Corporation (a "Pricing Officer"), the authority to effect the sale of the Tax-Exempt Bonds, and to establish certain terms related to the issuance and sale of the Tax-Exempt Bonds. The terms of sale will be included in the "Tax-Exempt Pricing Certificate" relating to the Tax-Exempt Bonds which will be executed by a Pricing Officer and will complete the sale of the Tax-Exempt Bonds (the Resolution as supplemented by the Tax-Exempt Pricing Certificate, is referred to as the "Tax-Exempt Bond Resolution"). (See "THE BONDS – Authority for Issuance" herein.)

The Tax-Exempt Bonds are special obligations of the Corporation and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-half of one percent sales and use tax collected within the boundaries of the City for the benefit of the Corporation. (See "THE SALES TAX – Source and Authorization" herein.)

THE TAX-EXEMPT BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE TAX-EXEMPT BONDS. (See "THE BONDS – Security and Source for Payment" and "THE SALES TAX – Investor Considerations" herein.)

Interest on the Tax-Exempt Bonds accrues from the Date of Delivery (defined herein). Interest on the Tax-Exempt Bonds will be payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Tax-Exempt Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Tax-Exempt Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of the Tax-Exempt Bonds ("Beneficial Owners") will not receive physical delivery of the securities representing their interest in the Tax-Exempt Bonds purchased. So long as DTC or its nominee is the registered owner of the Tax-Exempt Bonds, the principal of and interest on the Tax-Exempt Bonds will be payable by BOKF, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Tax-Exempt Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Tax-Exempt Bonds will be used for the purpose of (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Tax-Exempt Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Maturity Schedule and Redemption Features on Page v

The Tax-Exempt Bonds are being offered by the City concurrently with its Sales Tax Revenue Bonds, Taxable Series 2025A (the "Taxable Bonds") under a common Preliminary Official Statement. The Taxable Bonds and the Tax-Exempt Bonds are hereinafter sometimes collectively referred to as the "Bonds". The Taxable Bonds and Tax-Exempt Bonds are separate and distinct securities offerings being issued and sold independently except for this common Preliminary 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 Tax-Exempt Bonds are offered for delivery when, as and if issued, and received by the Underwriters shown below (the "Underwriters") 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, "Forms of Legal Opinions of Bond Counsel"). Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as counsel to the Underwriters. The Tax-Exempt Bonds are expected to be available for initial delivery through the services of DTC on or about April 30, 2025 (the "Date of Delivery").

BOK FINANCIAL SECURITIES, INC.

BAIRD **RAYMOND JAMES**

*Preliminary, subject to change.

$10,730,000*
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
Sales Tax Revenue Bonds, Series 2025B
Base CUSIP (1) No.: 581655

$ Serial Bonds

(September 1) Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(1)
2032	235,000			
2033	245,000			
2034	260,000			
2035	275,000			
2036	285,000			
2037	300,000			
2038	320,000			
2039	335,000			
2040	350,000			
2041	370,000			
2042	390,000			
2043	410,000			
2044	430,000			
2045	455,000			
2046	480,000			
2047	505,000			
2048	530,000			
2049	560,000			
2050	590,000			
2051	620,000			
2052	650,000			
2053	680,000			
2054	710,000			
2055	745,000			
	10,730,000			

(Interest to accrue from the Date of Delivery)

$ Term Bonds

$______ ____% Term Bond Due September 1, ____ Priced to Yield ____% CUSIP Suffix ___

(Interest to accrue from the Date of Delivery)

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

OPTIONAL REDEMPTION . . . The Corporation reserves the right to redeem the Tax-Exempt Bonds maturing on and after September 1, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein (see "THE BONDS – Optional Redemption of the Bonds").

MANDATORY REDEMPTION . . . If two or more consecutive serial maturities of the Tax-Exempt Bonds are grouped into a single maturity (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Tax-Exempt Bond Resolution and will be described in the final Official Statement (See "THE BONDS – Mandatory Sinking Fund Redemption.").

*Preliminary, subject to change.

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION

Appointed Officials

Name	Position	Appointment	Term Expiration
Brian Loughmiller	Chair	10/1/2024	9/30/2025
Kurt Kuehn	Vice-Chair	10/1/2024	9/30/2026
Thad Helsley	Member	10/1/2023	9/30/2025
Mark Denissen	Member	10/1/2024	9/30/2026
Julie Williams	Member	10/1/2023	9/30/2025
Matt Hamilton	Member	10/1/2023	9/30/2025
Scott Woodruff	Member	10/1/2023	9/30/2025
Chantelle Kadala	Board Alternate	10/1/2023	9/30/2025

Administration

Name	Position	Length of Service to Corporation	Governmental Service
Michael Kowski	President & CEO	1.5 Years	18 Years
Michael Talley	Senior Vice President	3 Years	10 Years

Consultants and Advisors

General Counsel	Brown & Hofmeister, L.L.P.
Bond Counsel	Norton Rose Fulbright US LLP
Financial Advisor	Estrada Hinojosa
Auditors	BKD CPAs & Advisors

For additional information contact:

Michael Kowski
President & CEO
McKinney Economic Development Corporation
401 E Virginia Street
McKinney, Texas 75069
(214) 544-0296

Mr. Dave Gordon
Senior Managing Director
Estrada Hinojosa
600 N. Pearl Street, Suite 2100
South Tower
Dallas, TX 75201
(713) 622-6690

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

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 or the Underwriters.

This Official Statement, which includes the cover page 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 Corporation that the Corporation believes to be reliable, but the Corporation 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 Corporation or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Corporation'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 Corporation or other matters described herein since the date hereof.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS 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.

NONE OF THE CORPORATION, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS 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 pages contains certain information for general reference only and are 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.

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

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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 City .... The City of McKinney, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Collin County, Texas. The City is located approximately 30 miles north of Dallas on U.S. Highway 75.

The Corporation .... The McKinney Economic Development Corporation (the "Corporation" or the "Issuer") is a non-profit corporation of the State created by the City pursuant to the Development Corporation Act, Texas, Local Government Code, Title 12, Subtitle C1, as amended (the "Act") (formerly known as the Development Corporation Act of 1979, Vernon's Texas Civil Statues, Article 5190.6), as amended, and specifically chapters 501 and 504, Texas Local Government Code, as amended. The Corporation is organized exclusively for the public purposes authorized by the Act.

The Bonds .... The Taxable Bonds are being issued in the principal amount of $54,310,000* pursuant to the Taxable Bond Resolution.

The Tax-Exempt Bonds are being issued in the principal amount of $10,730,000* pursuant to the Tax-Exempt Bond Resolution.

The Bonds are being issued pursuant to the Constitution and the laws of the State of Texas and the Bond Resolutions adopted by the Board of Directors of the Corporation. (See "THE BONDS - Authority for Issuance" herein.) The Taxable Bonds and the Tax-Exempt Bonds are hereinafter sometimes collectively referred to as the "Bonds". The Taxable Bonds and Tax-Exempt Bonds are separate and distinct securities offerings being issued and sold independently except for this common Preliminary 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 BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See "THE BONDS – Security and Source for Payment" and "THE SALES TAX – Investor Considerations" herein.)

Payment of Interest .... Interest on the Bonds accrues from the Date of Delivery and is payable September 1, 2025 and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - General" and "THE BONDS – Optional Redemption of the Bonds").

Authority for Issuance .... The Bonds are being issued by the Corporation pursuant to the Act, and specifically Chapters 501 and 504 of the Texas Local Government Code, as amended.

Security for the Bonds .... The Bonds are special obligations of the Issuer and are payable from and secured by a lien on and pledge of the Pledged Revenues (as defined herein), which include the receipts from a one-half of one percent local sales and use tax (the "Sales Tax") collected within the boundaries of the City for the benefit of the Corporation as provided in the Resolutions. (See "THE BONDS – Security and Source for Payment" and "THE SALES TAX – Source and Authorization" herein).

*Preliminary, subject to change

Redemption .... The Corporation reserves the right to redeem the Bonds maturing on and after September 1, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (see "THE BONDS – Optional Redemption of the Bonds").

The Taxable Bonds are also subject to optional make-whole call redemption as described herein (see "THE BONDS – Optional Redemption of the Bonds").

The Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more of the maturities as a term Bond. (See "THE BONDS – Mandatory Sinking Fund Redemption.").

Use of Proceeds .... Proceeds from the sale of the Taxable Bonds will be used for the purpose to (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Taxable Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Proceeds from the sale of the Tax-Exempt Bonds will be used for the purpose to (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Tax-Exempt Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Tax Status..................................... Interest on the Taxable Bonds will be includable in gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof see "TAX MATTERS – TAXABLE BONDS" herein.

In the opinion of Bond Counsel, interest on the Tax-Exempt Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, subject to the matters described under "TAX MATTERS – TAX-EXEMPT BONDS" herein.

Paying Agent/Registrar................... The initial Paying Agent/Registrar for the Bonds is BOKF, N.A., Dallas, Texas.

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.)

Rating……………………………..The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. (See "OTHER PERTINENT INFORMATION – Rating" herein.)

Payment Record .... The Corporation has never defaulted in the payment of its obligations.

Delivery..It is expected that the Bonds will be available for delivery through DTC on or about April 30, 2025.

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

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PRELIMINARY OFFICIAL STATEMENT

Relating to

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
(Collin County, Texas)

$54,310,000*	**$10,730,000***
Sales Tax Revenue Bonds,	**Sales Tax Revenue Bonds,**
Taxable Series 2025A	**Series 2025B**

INTRODUCTION

This Official Statement, which includes the cover pages and Appendices hereto, provides certain information regarding the issuance of the $54,310,000* McKinney Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025A (the "Taxable Bonds") and the $10,730,000* McKinney Economic Development Corporation Sales Tax Revenue Bonds, Series 2025B (the "Tax-Exempt Bonds"). The Taxable Bonds and the Tax-Exempt Bonds are hereinafter sometimes collectively referred to as the "Bonds". Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Taxable Bond Resolution and Tax-Exempt Bond Resolution (defined herein), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE RESOLUTION").

The McKinney Economic Development Corporation (the "Corporation") is a non-profit corporation duly organized and operating under the laws of the State of Texas (the "State"), particularly the Act. The Corporation was created following an election held by the City of McKinney, Texas (the "City") on January 16, 1993 on the question of the levy of a 1/2 of 1% local sales and use tax in the City for the promotion and development of new and expanded business enterprises and the development and maintenance of municipal and public facilities. The City Council of the City of McKinney appoints the members of the Board of Directors (the "Board") of the Corporation and under the provisions of the Act and the Corporation Bylaws is required to approve certain actions of the Corporation, including the issuance of the Bonds by the Corporation.

There follows in this Official Statement descriptions of the Bonds and certain other information about the Corporation and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request in writing to the McKinney Economic Development Corporation, 401 E Virginia Street, McKinney, Texas 75069 and, during the offering period, from the Financial Advisor, Estrada Hinojosa, 600 N. Pearl St., Suite 2100, South Tower, Dallas, TX 75201, upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

*Preliminary, subject to change

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PLAN OF FINANCING

Purpose of Financing

Proceeds from the sale of the Taxable Bonds will be used for the purpose to (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Taxable Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Proceeds from the sale of the Tax-Exempt Bonds will be used for the purpose to (i) acquire land to promote and develop new and expanded business enterprises for the creation or retention of primary jobs and for the development, retention, or expansion of transportation facilities, including airports, hangars, related infrastructure located on or adjacent to the McKinney National Airport, parking facilities and land related thereto (the "Project"), (ii) to fund any required reserve requirement, and (iii) to pay costs of issuance associated with the issuance of the Tax-Exempt Bonds. (See "PLAN OF FINANCING – Sources and Uses of Funds" herein.)

Sources and Uses of Funds

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

Sources of Funds:		
Par Amount of the Bonds	$	-
Total Sources of Funds	$	-
Uses of Funds:		
Deposit to Project Fund	$	-
Reserve Fund		-
Costs of Issuance		-
Underwriters' Discount		-
Total Uses of Funds	$	-

The proceeds of the Tax-Exempt Bonds will be applied substantially as follows:

Sources of Funds:		
Par Amount of the Bonds	$	-
Premium		-
Total Sources of Funds	$	-
Uses of Funds:		
Deposit to Project Fund	$	-
Reserve Fund		-
Costs of Issuance		-
Underwriters' Discount		-
Total Uses of Funds	$	-

*Preliminary, subject to change.

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THE BONDS

General

The Bonds are dated the Date of Delivery (defined below). Interest will accrue on the Bonds from the date of their initial delivery, anticipated to be April 30, 2025 (the "Date of Delivery"). The Bonds are stated to mature on September 1 in the years and in the principal amounts set forth on the inside cover pages hereof. The Bonds shall bear interest on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360- day year of twelve 30-day months. Interest on the Bonds will be payable on September 1, 2025, and on each March 1 and September 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Bonds will be made available for purchase in principal amounts of $5,000 or any integral multiple thereof within a maturity. Purchasers of Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, N.A., Dallas, Texas, as the initial Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event the Book-Entry-Only System should be discontinued, interest will be paid by check mailed by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar at its designated office.

Authority for Issuance

The Bonds are being issued by the Corporation pursuant to the Development Corporation Act, Texas Local Government Code, Title 12, Subtitle C1, as amended (the "Act") (formerly known as the Development Corporation Act of 1979, Vernon's Texas Civil Statutes, Article 5190.6), specifically Chapters 501 and 504 of the Texas Local Government Code. The Taxable Bonds are also being issued pursuant to a resolution adopted by the Board of Directors (the "Board") of the Corporation (the "Series 2025A Bond Resolution"), in which the Board delegated to a designated officer of the Corporation (a "Pricing Officer"), the authority to effect the sale of the Taxable Bonds, and to establish certain terms related to the issuance and sale of the Taxable Bonds in a pricing certificate (the "Taxable Pricing Certificate", together with the 2025A Bond Resolution, the "Taxable Bond Resolution"). The Tax-Exempt Bonds are being issued pursuant to a resolution adopted by the Board (the "Series 2025B Bond Resolution"), in which the Board delegated to a Pricing Officer, the authority to effect the sale of the Tax-Exempt Bonds, and to establish certain terms related to the issuance and sale of the Tax-Exempt Bonds in a pricing certificate (the "Tax-Exempt Pricing Certificate", together with the 2025B Bond Resolution, the "Tax-Exempt Bond Resolution"). The Taxable Bond Resolution and Tax-Exempt Bond Resolution are referred to herein as the "Bond Resolutions" or the "Resolutions".

Security and Source for Payment

The Bonds are special obligations of the Corporation, and are secured by a lien on and pledge of certain Pledged Revenues which include (i) the Gross Sales Tax Revenues (as defined in the Resolution) from time to time deposited or owing to the Pledged Revenue Fund (as defined in said resolution) and (ii) such other money, income, revenue, receipts or other property as may be specifically dedicated, pledged or otherwise encumbered in a Supplemental Resolution for the payment and security of Parity Obligations (as defined in said resolution).

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY OF MCKINNEY, COLLIN COUNTY OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See "THE SALES TAX – Investor Considerations" herein.)

Chapter 504 of the Act contains no provisions which would allow the voters of the City to either reduce or repeal the Sales Tax. Should the Legislature ever enact such an amendment to Chapter 504 to allow for the reduction or repeal of the Sales Tax, the Attorney General of Texas has rendered an Opinion (Opinion No. DM-137) to the effect that a "reduction in the sales tax rate, or limitation on the amount of time the tax may be collected, may not be applied to any bonds issued prior to the date of the rollback election." In so opining, the Attorney General noted any "subsequent legislation which purports to permit the reduction or other limitation of that tax is ineffective to do so, because such alteration would impair the obligation of the contract between the city and such bondholders," and in effect be a violation of Article 1, Section 10 of the United States Constitution and Article I, Section 16 of the Texas Constitution.

Pledge Under the Resolution

The Corporation covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Obligations, are irrevocably pledged to the payment and security of the Bonds and Additional Obligations, if issued, including the establishment and maintenance of the special funds created and established in the Taxable Bond Resolution and the Tax-Exempt Bond Resolution and any Supplemental Resolution. The Taxable Bond Resolution and the Tax-Exempt Bond Resolution further provide that the Parity Obligations shall constitute a lien on the Pledged Revenues in accordance with the terms of said resolution and any Supplemental Resolution, which lien shall be valid and binding without any further action by the Corporation and without any filing or recording with respect thereto except in the records of the Corporation.

Pledged Revenue Fund

The Corporation shall establish the "Pledged Revenue Fund" and the City agrees to promptly collect and remit to the Corporation the Gross Sales Tax Revenues for the deposit in the Pledged Revenue Fund. Under the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, the Corporation covenants and agrees to maintain such Pledged Revenue Fund for so long as any Parity Obligations, including the Bonds, remain Outstanding. All Pledged Revenues deposited to the credit of such Fund shall be accounted for separate and apart from all other revenues, receipts and income of the Corporation and, with respect to the Gross Sales Tax Revenues, the Corporation shall further account for such funds separate and apart from the other Pledged Revenues deposited to the credit of the Pledged Revenue Fund. All Pledged Revenues deposited to the credit of the Pledged Revenue Fund shall be appropriated and expended to the extent required by the Taxable Bond Resolution and the Tax-Exempt Bond Resolution or any resolution authorizing the issuance of any Parity Obligations for the following uses and in the order of priority shown below. Sales Tax collections are subject to the retention of a percentage of tax receipts by the Comptroller of Public Accounts of the State of Texas (see "THE SALES TAX – Source and Authorization").

Flow of Funds

Under the terms of the Act, the Gross Sales Tax Revenues collected by the Texas Comptroller of Public Accounts are remitted periodically to the City for the benefit of the Corporation, and upon receipt by the City the same are to be deposited to the credit of a fund or account of the Corporation known as the "Gross Sales Tax Revenue Fund". The Resolution provides that all Pledged Revenues deposited to the credit of the Gross Sales Tax Revenue Fund shall be appropriated and expended for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Parity Obligations as the same becomes due and payable;

Second: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of the Taxable Bond Resolution and the Tax-Exempt Bond resolution and any Supplemental Resolution;

Third: To the payment of amounts required to be deposited in any other fund or account required by any Supplemental Resolution authorizing the issuance of Parity Obligations; and

Fourth: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity Obligations.

Any Pledged Revenues remaining in the Pledged Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by law.

Bond Fund

Under the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, the Corporation agrees and covenants to maintain a separate and special account or fund on the books and records of the Corporation known as the "McKinney Economic Development Corporation Debt Service account" (the "Bond Fund"), and all monies deposited to the credit of the Bond Fund shall be held in a special banking fund or account maintained at a Depository of the Corporation. The Corporation covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the Pledged Revenues an amount equal to one hundred per centum (100%) of the interest on and the principal of the Bonds then falling due and payable, and such deposits to pay principal and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the 10th day of each month, beginning on or before the 10th day of the month next following the delivery of the Bonds to the Underwriters.

The required deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Parity Obligations (principal and interest) then Outstanding or (ii) the Bonds are no longer Outstanding.

Reserve Fund

The Corporation agrees and covenants to maintain on the books and records of the Corporation a separate and special fund or account to be known as the "Reserve Account" (the "Reserve Fund"), which fund or account shall be a special banking fund maintained at a Depository. The amounts deposited to the credit of such fund or account shall be used solely for the payment of (i) the principal of and interest on the Bonds when (whether at maturity, upon a redemption date or any interest payment date) other funds available for such purposes are insufficient, (ii) the amounts required to restore or replenish in full the surety bond coverage afforded by a surety bond representing all or a portion of the Required Reserve, and, in addition, may be used to the extent not required to maintain the "Required Reserve", to pay, or provide for the payment of, the final principal amount of the Bonds so that such Bonds are no longer deemed to be "Outstanding" as such term is defined in the Taxable Bond Resolution and the Tax-Exempt Bond Resolution.

The Required Reserve required to be maintained under the Taxable Bond Resolution and the Tax-Exempt Bond Resolution shall be an amount equal to the Average Annual Debt Service requirements on all Outstanding Bonds. Except as otherwise provided by law, the Required Reserve shall be calculated on a Fiscal Year basis, with a fractional Fiscal Year being treated as an entire Fiscal Year; provided, however, that, so long as any Bonds are outstanding, such calculation (i) may be made (a) at the end of each Fiscal Year and/or (b) on any principal payment date of any Bond, and such calculation shall include the Debt Service requirements that remain after taking into account all payments of Bonds made on or before the date of such calculation. The total amount to be accumulated and maintained in the Reserve Fund by reason of the issuance of the Taxable Bonds and the Tax-Exempt Bonds shall be specified in the applicable Pricing Certificate. The Required Reserve shall be established and maintained with Pledged Revenues, the proceeds of sale of the Bonds or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution which, at the time of issuance of such surety bond or insurance policy, has a rating from at least one nationally recognized rating agency or service that is equal to or greater than the unenhanced rating then assigned to the Bonds.

While the cash and investments and/or surety bond coverage in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund. Should the Reserve Fund at any time contain less than the Required Reserve or should the Corporation be obligated to repay or reimburse an issuer of a surety bond to replenish and restore the full amount of surety bond coverage provided by a surety bond held for the account of the Reserve Fund, the Corporation covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the 10th day of each month (beginning the month next following the month the deficiency in the Required Reserve occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) from Pledged Revenues in an amount equal to (i) 1/12th of the Required Reserve until the total Required Reserve then required to be maintained in said Fund has been fully restored or (ii) the amounts required to be reimbursed and repaid to the issuer of the surety bond in the event of a draw upon a surety bond. The Corporation further covenants and agrees that the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of the Resolution and any Supplemental Resolution.

During such time as the Reserve Fund contains the total Required Reserve, the Corporation may, at its option, withdraw any amount in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the Pledged Revenue Fund, except that amounts from Bond proceeds on deposit in the Reserve Fund may only be deposited to the Bond Fund or the Reserve Fund.

By reason of the issuance of the Bonds, the total amount to be accumulated and maintained in the Reserve Fund as a Required Reserve has been determined to be $______. A surety policy issued by Assured Guaranty Municipal Corp in the amount of $2,251,836.97 is currently on deposit in the Reserve Fund to be utilized for the Sales Tax Revenue Refunding Bonds, Taxable Series 2021. The Required Reserve will be satisfied by ______________.

Additional Obligations

In the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, the Corporation reserves the right to issue Additional Obligations payable from and equally and ratably secured by a parity lien on and pledge of the Pledged Revenues subject to satisfying certain terms and conditions including (i) the Executive Director of the Corporation (or other officer of the Corporation then having the primary responsibility for the financial affairs of the Corporation) shall have executed a certificate stating that, to the best of his or her knowledge and belief, the Corporation is not then in default as to any covenant, obligation or agreement contained in said Resolution or a Supplemental Resolution; (ii) obtaining a certificate or opinion from a certified public accountant to the effect that, according to the books and records of the Corporation, the Gross Sales Tax Revenues received by the Corporation for the last completed Fiscal Year or for any twelve consecutive months out of the previous 18 months next preceding the adoption of the resolution authorizing the issuance of the Additional Obligations were equal to not less than 1.50 times the maximum annual Debt Service for all Parity Obligations then Outstanding after giving effect to the issuance of the Additional Obligation then being issued; and (iii) the Required Reserve to be accumulated and maintained in the Reserve Fund is increased to the extent required by the resolutions authorizing the issuance of the Outstanding Parity Obligations and the Additional Obligations then being issued. For a more detailed discussion of the Corporation's ability to issue Additional Obligations, see "SELECTED PROVISIONS OF THE RESOLUTION".

General Covenant Regarding the Sales Tax

The Municipal Sales and Use Tax Act (V.T.C.A., Tax Code, Chapter 321, as amended) provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act. The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the State Legislature without the consent of the City or the Corporation.

In the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, the Corporation covenants and agrees that, while any Bonds are outstanding, it will take all legal means and actions permissible to cause the Sales Tax, at its current rate (1/2 of 1%) or at a higher rate if legally permitted, to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted; and to cause no reduction, abatement or exemption in the Sales Tax until all the Bonds have been paid in full or until they are lawfully defeased in accordance with the Resolution. The Corporation also covenants and agrees that, if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Taxable Bond Resolution and the Tax-Exempt Bond Resolution were adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax. In addition, the City has agreed to promptly collect and remit to the Corporation the Gross Sales Tax Revenues in accordance with the Taxable Bond Resolution and the Tax-

Exempt Bond Resolution and the Act to provide for the prompt payment of the Bonds and to assist the Corporation in the enforcement and collection of sales and use taxes imposed by the Corporation.

Optional Redemption of the Bonds

The City reserves the right to redeem the Bonds maturing on and after September 1, 2036 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest as further described herein.

The Corporation also reserves the right, at its option, to redeem the Taxable Bonds at any time at a redemption price equal to the greater of: (1) 100% of the principal amount of the Taxable Bonds to be redeemed; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the stated maturity date of such Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Bonds are to be redeemed, discounted to the date on which such Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus __ basis points, plus, in each case, accrued interest on such Taxable Bonds to be redeemed to but not including the redemption date.

"Treasury Rate" means, with respect to any redemption date, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity most nearly equal to the period from the redemption date to the maturity date of such Bond (taking into account any sinking fund installments for such Bonds); however, if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such Bonds) is less than one year, the yield to maturity of the U.S. Treasury securities with a constant maturity of one year, in each case, as compiled and published in the most recent Federal Reserve Release H.15 which has become publicly available at least two business days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) or, if such Release is no longer published, any publicly available source of similar market data reasonably selected by the Trustee.

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 TORECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and, provided moneys sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption for the Bonds, notice of proposed amendment to the Taxable Bond Resolution and the Tax-Exempt Bond Resolution 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 Taxable Bond Resolution and the Tax-Exempt Bond Resolution, as applicable, 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 Underwriters 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 Corporation has never defaulted in the payment of its obligations.

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 opinions 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 forms of the legal opinions of Bond Counsel appears in APPENDIX B attached hereto.

Defeasance

The Taxable Bond Resolution and the Tax-Exempt Bond Resolution 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 Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Government Securities. The Taxable Bond Resolution and the Tax-Exempt Bond Resolution 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 Corporation, 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 Corporation, 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. 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 Taxable Bond Resolution and the Tax-Exempt Bond Resolution 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 ratingcategory. The Corporation may modify the categories of obligations that are eligible to defease the Bonds with the sale of the Bonds to accommodate requests from potential investors. Any changes in the categories of such obligations will be reflected in the Official Statement and the applicable pricing certificate.

Amendments

The Corporation may amend the Taxable Bond Resolution and the Tax-Exempt Bond Resolution 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 Corporation may, with the written consent of the holders of a majority in aggregate principal amount of the then outstanding Bonds affected thereby, amend, add to, or rescind any of the provisions of the Taxable Bond Resolution and the Tax-Exempt Bond Resolution; except that, without the consent of the registered owners of all of the outstanding Bonds affected thereby, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of its payment, or (2) give any preference to any Bonds over any other Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

REGISTERED OWNERS’ REMEDIES

The Taxable Bond Resolution and the Tax-Exempt Bond Resolution do not establish specific events of default with respect to the Bonds. If the Corporation defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the applicable resolution, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the applicable resolution, the registered owners may seek a writ of mandamus to compel Corporation 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 Taxable Bond Resolution and the Tax-Exempt Bond Resolution and the Corporation’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 Taxable Bond Resolution and the Tax-Exempt Bond Resolution does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the Corporation to perform in accordance with the terms of the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, 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. Even if a judgment against the Corporation could be obtained, it could not be enforced by direct levy and execution against the Corporation's property, other than the Pledged Revenues. The opinions of Bond Counsel will note that all opinions relative to the enforceability of each respective Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar of the Bonds is BOKF, N.A., Dallas, Texas. 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 respective Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. In the event the Book-Entry-Only System should be discontinued, interest will be paid by the Paying Agent/Registrar either (i) by check sent United States mail, first class postage prepaid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (defined below) to the last known address as it appears on the Paying Agent/Registrar's registration books, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar at the Designated Payment/Transfer Office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "Book-Entry-Only System" below. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due. Currently, the Designated Payment/Transfer Office of the Paying Agent/Registrar is its Austin, Texas 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 fifteenth business day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

The Bonds are initially to be issued utilizing DTC's Book-Entry-Only System. In the event such Book-Entry-Only System for the Bonds should be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter such Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer of Bonds

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

Replacement Bonds

In the Taxable Bond Resolution and the Tax-Exempt Bond Resolution, 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 Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer and the Underwriters 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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer or the Underwriters.

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 Resolution. (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 Taxable Bond Resolution and the Tax-Exempt Bond Resolution, as applicable, will be given only to DTC.

Table 1 – Pro Forma Debt Service Requirements

Fiscal Year Ended 9/30	Outstanding Sales Tax Revenue Supported Debt			The Taxable Bonds[1]			The Tax-Exempt Bonds[1]			Total Sales Tax Revenue Supported Debt Outstanding	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total Debt	Principal	Interest	Total Debt		
2025	$ 2,205,000	$ 261,680	$ 2,466,680	$ -	$ 1,049,261	$ 1,049,261	$ -	$ 183,618	$ 183,618	$ 3,699,558	
2026	2,230,000	238,527	2,468,527	-	3,121,769	3,121,769	-	546,300	546,300	6,136,596	
2027	2,255,000	211,767	2,466,767	-	3,121,769	3,121,769	-	546,300	546,300	6,134,836	
2028	2,290,000	178,393	2,468,393	-	3,121,769	3,121,769	-	546,300	546,300	6,136,462	
2029	2,330,000	141,066	2,471,066	-	3,121,769	3,121,769	-	546,300	546,300	6,139,135	13.94%
2030	2,370,000	97,262	2,467,262	-	3,121,769	3,121,769	-	546,300	546,300	6,135,331	
2031	2,420,000	50,336	2,470,336	-	3,121,769	3,121,769	-	546,300	546,300	6,138,405	
2032	-	-	-	1,135,000	3,121,769	4,256,769	235,000	546,300	781,300	5,038,069	
2033	-	-	-	1,195,000	3,063,998	4,258,998	245,000	533,963	778,963	5,037,960	
2034	-	-	-	1,255,000	3,001,021	4,256,021	260,000	521,100	781,100	5,037,121	25.17%
2035	-	-	-	1,325,000	2,934,883	4,259,883	275,000	507,450	782,450	5,042,333	
2036	-	-	-	1,395,000	2,864,923	4,259,923	285,000	493,013	778,013	5,037,935	
2037	-	-	-	1,465,000	2,790,430	4,255,430	300,000	478,050	778,050	5,033,480	
2038	-	-	-	1,545,000	2,711,759	4,256,759	320,000	462,300	782,300	5,039,059	
2039	-	-	-	1,630,000	2,628,175	4,258,175	335,000	445,500	780,500	5,038,675	36.11%
2040	-	-	-	1,720,000	2,539,829	4,259,829	350,000	427,913	777,913	5,037,741	
2041	-	-	-	1,810,000	2,446,433	4,256,433	370,000	409,538	779,538	5,035,970	
2042	-	-	-	1,915,000	2,341,453	4,256,453	390,000	390,113	780,113	5,036,565	
2043	-	-	-	2,030,000	2,230,383	4,260,383	410,000	369,638	779,638	5,040,020	
2044	-	-	-	2,145,000	2,112,643	4,257,643	430,000	348,113	778,113	5,035,755	50.37%
2045	-	-	-	2,270,000	1,988,233	4,258,233	455,000	325,538	780,538	5,038,770	
2046	-	-	-	2,400,000	1,856,573	4,256,573	480,000	301,650	781,650	5,038,223	
2047	-	-	-	2,540,000	1,715,693	4,255,693	505,000	276,450	781,450	5,037,143	
2048	-	-	-	2,690,000	1,566,595	4,256,595	530,000	249,938	779,938	5,036,532	
2049	-	-	-	2,850,000	1,408,692	4,258,692	560,000	222,113	782,113	5,040,804	69.20%
2050	-	-	-	3,015,000	1,241,397	4,256,397	590,000	192,713	782,713	5,039,109	
2051	-	-	-	3,195,000	1,064,416	4,259,416	620,000	161,738	781,738	5,041,154	
2052	-	-	-	3,385,000	875,272	4,260,272	650,000	132,288	782,288	5,042,560	
2053	-	-	-	3,585,000	674,880	4,259,880	680,000	101,413	781,413	5,041,293	
2054	-	-	-	3,795,000	462,648	4,257,648	710,000	69,113	779,113	5,036,761	94.13%
2055	-	-	-	4,020,000	237,984	4,257,984	745,000	35,388	780,388	5,038,372	100.00%
	$ 16,100,000	$ 1,179,031	$ 17,279,031	$ 54,310,000	$ 67,659,949	$ 121,969,949	$10,730,000	$11,462,743	$22,192,743	$161,441,722	

(1) Calculated as assumed rates for purposes of illustration. Preliminary, subject to change.

THE CORPORATION

The McKinney Economic Development Corporation (the "Corporation") is a non-profit corporation duly organized and operating under the laws of the State of Texas (the "State"), particularly the Act. The Corporation was created following an election held by the City of McKinney, Texas (the "City") on January 16, 1993 on the question of the levy of a 1/2 of 1% local sales and use tax in the City for the promotion and development of new and expanded business enterprises and the development and maintenance of municipal and public facilities. The City Council of the City of McKinney (the "City Council") appoints the members of the Board of Directors (the "Board") of the Corporation and under the provisions of the Act and the Corporation Bylaws is required to approve certain actions of the Corporation, including the issuance of the Bonds by the Corporation.

The Sales Tax is a 1/2 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at a special election held on January 16, 1993, and became effective and has been allocated since July 1, 1993. The Corporation's Sales Tax revenues have averaged $20,365,161 for the five year period including fiscal years 2019-2024 (see "TABLE 2 – Historical Corporation Receipts of ½% Sales Tax" for more detail). The Corporation saw an increase in Sales Tax revenues in 2024 of 7.1%. Sales Tax revenues, however, may vary significantly from year to year (see "THE SALES TAX – Investor Considerations").

Management

The Corporation is subject to review by the City Council, which must approve each bond issue of the Corporation and the Corporation's annual budget. The Corporation is required by its bylaws to submit an annual report to the City Council and Texas Comptroller, and, subject to certain restraints, the City may change or alter the organization, programs or activities of the Corporation. The Corporation is overseen by a Board of Directors whose members serve without compensation and are appointed to staggered two-year terms by the City Council. Members may be removed at any time by the City Council. Bonds issued by the Corporation are subject to the adoption of an approving resolution by the City Council. The Bond Resolutions approved the issuance of the Bonds on March 18, 2025. The Taxable Bonds are being issued pursuant to the Series 2025A Bond Resolution adopted on March 18, 2025, in which the Board delegated to a Pricing Officer, the authority to effect the sale of the Taxable Bonds, and to establish certain terms related to the issuance and sale of the Taxable Bonds in the Taxable Pricing Certificate. The Tax-Exempt Bonds are being issued pursuant to the Series 2025B Bond Resolution, in which the Board delegated to a Pricing Officer, the authority to effect the sale of the Tax-Exempt Bonds, and to establish certain terms related to the issuance and sale of the Tax-Exempt Bonds in the Tax-Exempt Pricing Certificate. (See "THE BONDS – Authority for Issuance" herein.)

THE SALES TAX

Source and Authorization

The Sales Tax is a 1/2 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at a special election held on January 16, 1993, and became effective on and has been allocated since July 1, 1993. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. Under State law, the maximum percentage of sales tax that may be levied in the City, including the State sales tax, municipal sales tax, and other sales taxes levied by the City, including the Sales Tax, may not exceed 8.25%. The City currently levies another sales and use tax for City purposes totaling 1% in accordance with State law and the combined state and municipal sales taxes levied within the City equals 8.25%. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds, and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, cable television services, personal services, motor vehicle parking and storage services, the repair, remodeling, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling services, security services, telephone answering services, Internet access service, and a sale by a transmission and distribution utility of transmission or delivery of service directly to an electricity end-use customer whose consumption of electricity is subject to taxation under Chapter 151 of the Texas Tax Code. Certain items are exempted by State law from sales and use taxes, including but not limited to, items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including prescription medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes except that the following are exempt from the sales taxes: mixed beverages, ice or nonalcoholic beverages that are subject to State alcohol taxes (there is no local component of the State alcohol taxes and, thus, the City would not receive any revenue with respect to such sales) and alcoholic beverages when sold to the holder of a private club registration permit under certain circumstances. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and nonprofit corporations. Also, State law provides an exemption from sales taxes on items purchased for the performance of certain bids and written contracts in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non-sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). The City has opted to repeal the local telecommunication services exemption. With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. The City has opted to tax the residential use of gas and electricity.

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing $500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than $500 sales and use tax dollars in a calendar month but $1,500 or more in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than $1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. In 1989, the Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. The City participates in this program. Otherwise, the Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayers' liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold 1/2% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1 1/4% of the amount of the prepayment in addition to the 1/2% allowed for the cost of collecting the sales and use tax.

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 $1,170,347 and $18,524, 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 of the Annual Comprehensive Financial Report.

Investor Considerations

Sales Tax Volatility and Potential Changes in Sales Tax Base. The primary source of security for the Bonds will be certain receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality.

Recent Legislation

The emergence of internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the State and national level. Internet sales have likely resulted in a decrease in Sales Tax revenue to the Corporation. However, in June of 2018, the U.S. Supreme Court, in reversal of a principle set out by the Court in 1992 (Quill Corp. v. North Dakota, 504 U.S. 298 (1992)), determined that the Commerce Clause of the U.S. Constitution would not prohibit state and local governmental entities from collecting sales tax on goods sold to buyers for delivery in a state, even though a business that made the sale did not have a physical presence in the state. (See South Dakota v. Wayfair, Inc., 2018 U.S. Lexis 3835 (2018)).

During the most recently concluded session of the Texas Legislature in June, 2019, two bills were passed regarding the collection of sales taxes in response to the United States Supreme Court decision in South Dakota v. Wayfair, Inc. H.B. 1525, effective October 1, 2019, amended Chapters 151, 321 and 323, Texas Tax Code, by amending the definitions of "seller" and "retailer" to include a "Marketplace" provider and to require such Marketplace provider to collect and remit to the Comptroller sales and use taxes on items sold in Texas on electronic mediums, including internet websites and software applications. In other words, H.B. 1525 requires on online marketplace (e.g., Ebay, Amazon, or Walmart) to collect sales taxes on marketplace sales instead of potentially requiring each individual seller on that marketplace to do so. Additionally, it requires the sales taxes associated with marketplace sales to be sourced to the destination to which the marketplace goods are shipped. H.B. 2153, effective October 1, 2019, amends the Texas Tax Code by giving remote sellers the option to either: (1) collect and remit the actual sales taxes owed based upon the shipping destination; or (2) collect a simplified "single local use tax rate" of roughly 1.75 percent on all sales. Remote sellers who collect the single local use tax rate send the money to the Comptroller, who remits the revenue to local taxing entities based upon their existing proportion of the local sales tax base.

In response to this legislation passed during the 2019 legislative session, the Texas Comptroller adopted rule changes affecting orders made on the internet. The rule changes add Section 3.334(b)(5), Texas Administrative Code, which states "orders not received by sales personnel, including orders received by a shopping website or shopping software application…are received at locations that are not places of business of the seller." As a result, certain municipalities challenged the Comptroller, arguing that the new sourcing rules conflicted with existing state laws, were not adopted in compliance with the Texas Administrative Procedures Act (APA), and would cause them to lose significant sales tax revenue. In 2021, the District Court granted the municipalities a temporary injunction delaying implementation until it reached a final decision. On December 3, 2024, the District Court in Travis County issued a final judgment striking down the new rule, after determining that the Comptroller had failed to comply with provisions of the APA and that the new rules "contravened specific statutory language" contained in the State's sourcing law.

The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting sales tax matters, elections, and other matters which could adversely affect the Corporation and also affect the marketability or market value of the Bonds. The Corporation can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the Corporation, the Corporation does not anticipate that the security for payment of the Bonds would be adversely affected by any such legislation.

Other Considerations. Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8 1/4%, and the current total sales and use tax rate within the City's boundaries is 8 1/4% (including State and City taxes as well as the Sales Tax). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the City (and hence the Corporation as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year.

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the 1/2 of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projections of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.

Historical information regarding the State's sales tax base, gross sales within the City and sales within the City which are subject to the State sales and use tax is included herein, and while the Corporation has no reason to expect that receipts of the Sales Tax will be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the City will provide sufficient Sales Tax receipts to pay the Parity Obligations and Additional Obligations, if any.

The U.S. has engaged certain foreign countries in trade disputes that have resulted in the imposition of tariffs, retaliatory measures, and heightened regulatory scrutiny of international trade. These trade tensions, commonly referred to as a "trade war," may lead to volatility in global markets, disrupt supply chains, and increase costs for raw materials and goods. As a result, there can be no assurance that future developments in trade policy or further escalation of international trade conflicts will not adversely affect the national economy, financial markets, or specific sectors critical to the Issuer's sales tax base. The Issuer's financial condition may be impacted by reductions in economic activity, changes in employment levels, or decreases in sales tax revenues due to such external factors.

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Table 2 - Historical Corporation Receipts of ½ of 1% Sales Tax

The Sales Tax is a 1/2 of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at a special election held on January 16, 1993, which sales and use tax became effective on and has been collected since July 1, 1993. Following is a listing of the Corporation's monthly receipts from the Texas Comptroller of Public Accounts of its sales and use tax for its last five fiscal years:

	Fiscal Year Ended September 30,				
Month	2024	2023	2022	2021	2020
October	$ 1,802,723	$ 1,746,625	$ 1,625,667	$ 1,337,015	$ 1,253,936
November	2,007,673	1,792,863	1,685,370	1,360,428	1,185,701
December	3,491,450	2,200,329	2,042,085	1,810,965	1,670,465
January	584,327	1,542,148	1,503,203	1,281,894	1,140,183
February	1,726,554	1,527,560	1,381,866	113,646	1,288,816
March	2,163,231	2,113,332	2,111,451	1,830,965	1,276,935
April	1,917,731	1,694,281	1,732,598	1,513,303	1,316,748
May	1,910,591	1,723,728	1,600,438	1,482,526	1,267,079
June	2,184,329	2,073,228	1,977,134	1,779,935	1,516,333
July	2,045,103	1,959,046	1,819,524	1,563,876	1,369,939
August	2,093,649	1,875,434	1,749,804	1,510,871	1,266,930
September	1,955,710	2,057,613	1,958,197	1,764,535	1,546,189
	$ 23,883,071	$ 22,306,187	$ 21,187,337	$ 17,349,959	$ 16,099,254

Table 3 - Calculation of Coverage for the Issuance of Additional Obligations

Fiscal Year Sales Tax Receipts	$23,883,071
Maximum Principal and Interest Requirements, 2029	$5,788,675
Coverage of Maximum Annual Debt Service by audited 2024 Fiscal Year Sales Tax receipts	4.126 Times
Average Annual Principal and Interest Requirements	$4,907,717
Coverage of Average Annual Debt Service by audited 2024 Fiscal Year Sales Tax receipts	4.866 Times

Table 4 – Historical Corporation Revenues and Expenditures

	FY2024	FY2023	FY2022	FY 2021	FY2020
Revenues					
Sales and use taxes	$ 23,883,071	$ 22,306,184	$ 21,187,337	$ 18,349,959	$ 16,099,254
Interest income	1,723,931	1,057,556	146,581	10,516	148,447
Contributions	399,110	353,373	-	-	280
Total Revenue	$ 26,006,112	$ 23,717,113	$ 21,333,918	$ 18,360,475	$ 16,247,981
Expenditures					
Economic development	$ 10,714,551	$ 21,392,055	$ 13,084,749	$ 8,163,711	$ 13,618,805
Interest and fiscal charges	353,932	319,268	293,188	782,766	938,238
Principal payments	2,344,267	2,246,635	2,175,000	-	3,015,000
Capital outlay	-	2,257,869	264,040	-	-
Total expenditures	$ 13,412,750	$ 26,215,827	$ 15,816,977	$ 8,946,477	$ 17,572,043
Excess (deficiency) of revenue over expenditures	12,593,362	(2,498,714)	5,516,941	9,413,998	(1,324,062)
Other Financing Sources (uses)					
Proceeds from issuance of long-term debt	-	2,058,211	-	22,650,000	-
Sale of property	890,156	73,413	916	87,106	-
Payment for refunded bond escrow agent	-	-	-	(23,990,056)	-
Total other financing sources (uses)	890,156	2,131,624	916	(1,252,950)	-
Excess (deficiency) of revenues and other sources over expenditures	13,483,518	(367,090)	5,517,857	8,161,048	(1,324,062)
Beginning fund balance	29,167,256	29,534,346	24,016,489	15,855,441	17,179,503
Ending fund balance	$ 42,650,774	$ 29,167,256	$ 29,534,346	$ 24,016,489	$ 15,855,441

SELECTED PROVISIONS OF THE RESOLUTION

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

Definitions. For all purposes of this Resolution and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

"Act" - The Development Corporation Act, Texas Local Government Code, Title 12, Subtitle C1, as amended, specifically Chapters 501 and 504 of the Texas Local Government Code, as amended.

"Additional Obligations" - Bonds, notes or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 18 hereof and which, together with the Bonds and the Previously Issued Bonds, are equally and ratably secured by a parity pledge of and claim on the Pledged Revenues under the terms of this Resolution and any Supplemental Resolution.

"Average Annual Debt Service" - That amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from proceeds of borrowings of the Corporation shall be excluded in making the aforementioned computation.

"Board" - The Board of Directors of the Corporation.

"Bonds" – The "McKinney Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025A" authorized by the Taxable Bond Resolution and the "McKinney Economic Development Corporation Sales Tax Revenue Bonds, Series 2025B" authorized by the Tax-Exempt Bond Resolution.

"City" - The City of McKinney, Texas.

"Corporation" - The McKinney Economic Development Corporation, a non-profit industrial development corporation organized and existing under and pursuant to the laws of the State of Texas, including Chapters 501 and 504 of the Act and on behalf of the City of McKinney, Texas.

"Debt Service" - As of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the maximum legal per annum rate applicable to such obligations, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Depository" - A commercial bank or other qualified financial institution eligible and qualified to serve as the custodian of the Corporation's monetary accounts and funds.

"Fiscal Year" - The twelve month financial accounting period used by the Corporation ending September 30 in each year, or such other twelve consecutive month period established by the Corporation.

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

"Gross Sales Tax Revenues" - All of the revenues or receipts due or owing to, or collected or received by or on behalf of the Corporation by the City or otherwise pursuant to the Act and the election held January 16, 1993, less any amounts due and owed to the Comptroller of Public Accounts of the State of Texas as charges for the collection of the Sales Tax or retention by said Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

"Outstanding" - When used in this Resolution with respect to Bonds or Parity Obligations, as the case may be, means, as of the date of determination, all Bonds and Parity Obligations theretofore sold, issued and delivered by the Corporation, except:

those Bonds or Parity Obligations canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

those Bonds or Parity Obligations paid or deemed to be paid in accordance with the provisions of Section 24 hereof or similar provisions of any Supplemental Resolution authorizing the issuance of Additional Obligations.

those Bonds or Parity Obligations that have been mutilated, destroyed, lost, or stolen and replacement obligations have been registered and delivered in lieu thereof in accordance with the provisions of Section 26 hereof.

"Parity Obligations" - Collectively, the Bonds and Additional Obligations.

"Pledged Revenues" - Collectively (i) Gross Sales Tax Revenues from time to time deposited or owing to the Pledged Revenue Fund and (ii) such other money, income, revenue, receipts or other property as may be specifically dedicated, pledged or otherwise encumbered in a Supplemental Resolution for the payment and security of Parity Obligations.

"Previously Issued Bonds" – The outstanding (1) McKinney Economic Development Corporation Sales Tax Revenue Refunding Bonds, Taxable Series 2021, dated April 15, 2021.

"Required Reserve" - The amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 14 hereof.

"Sales Tax" - The local sales and use tax authorized under Chapter 504 of the Act, approved at an election held on January 16, 1993, and the effective date for the imposition and application of such Sales Tax within the corporate limits of the City by the Comptroller of Public Accounts of the State of Texas being July 1, 1993, together with any increases in the rate of such Sales Tax authorized and provided by law.

"Supplemental Resolution" - Any resolution of the Board supplementing this Resolution for the purpose of authorizing and providing the terms and provisions of the Bonds or Additional Obligations, or supplementing or amending this Resolution for any other authorized purpose permitted in Section 18 or 25 hereof, including resolutions authorizing the issuance of Additional Obligations or pledging and encumbering income, revenues, receipts or property other than the Gross Sales Tax Revenues to the payment and security of the Parity Obligations.

Pledge. The Corporation hereby covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Parity Obligations, are hereby irrevocably pledged to the payment and security of the Bonds, the Previously Issued Bonds and Additional Obligations, if issued, including the establishment and maintenance of the special funds created and established in this Resolution and any Supplemental Resolution, all as hereinafter provided. The Corporation hereby resolves the Parity Obligations shall constitute a lien on the Pledged Revenues in accordance with the terms of this Resolution and any Supplemental Resolution, which lien shall be valid and binding and fully perfected from and after the date of adoption of this Resolution without physical delivery or transfer of control of the Pledged Revenues, the filing of this Resolution or any other act; all as provided in Chapter 1208 of the Texas Government Code.

Section 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Corporation under this Section 11, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Pledged Revenues granted by the Corporation under this Section 11 is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Pledged Revenue Fund. The Corporation hereby covenants and agrees to establish and maintain a fund or account at a Depository for the deposit of the Pledged Revenues as received by the Corporation, which fund or account shall continue to be known on the books and records of the Corporation as the "Pledged Revenue Fund". All Pledged Revenues deposited to the credit of such Fund shall continue to be accounted for separate and apart from all other revenues, receipts and income of the Corporation and, with respect to the Gross Sales Tax Revenues, the Corporation shall further account for such funds separate and apart from the other Pledged Revenues deposited to the credit of the Pledged Revenue Fund. All Pledged Revenues deposited to the credit of the Pledged Revenue Fund shall be appropriated and expended to the extent required by this Resolution and any Supplemental Resolution for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Parity Obligations as the same becomes due and payable;

Second: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of the resolutions authorizing the Previously Issued Bonds, this Resolution and any Supplemental Resolution, if any;

Third: To the payment of amounts required to be deposited in any other fund or account required by any Supplemental Resolution authorizing the issuance of Parity Obligations; and

Fourth: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity Obligations.

Any Pledged Revenues remaining in the Pledged Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by law.

Bond Fund. For the purpose of providing funds to pay the principal of and interest on Parity Obligations, the Corporation covenants and agrees to maintain a separate and special account or fund on the books and records of the Corporation known as the "McKinney Economic Development Corporation Debt Service Account" (the "Bond Fund"), and all monies deposited to the credit of the Bond Fund shall continue to be held in a special banking fund or account maintained at a Depository of the Corporation. In addition to the amounts required to be deposited to the credit of the Bond Fund for the payment of the Previously Issued Bonds, the Corporation covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the Pledged Revenues an amount equal to one hundred per centum (100%) of the interest on and the principal of the Bonds then falling due and payable, and such deposits to pay principal and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the 10th day of each month, beginning on or before the 10th day of the month next following the delivery of the Bonds to the initial purchasers.

The required deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Parity Obligations (principal and interest) then Outstanding or (ii) the Bonds are no longer Outstanding.

Reserve Fund.

(a) General Provisions. Subject to the provisions of this Resolution hereinafter set forth, the Corporation agrees and covenants to maintain on the books and records of the Corporation a separate and special fund or account to be known as the "Reserve Account" (the "Reserve Fund"), which fund or account shall be a special banking fund maintained at a Depository. The amounts deposited to the credit of such fund or account shall be used solely for the payment of (i) the principal of and interest on the Bonds when (whether at maturity, upon a redemption date or any interest payment date) other funds available for such purposes are insufficient, (ii) the amounts required to restore or replenish in full the surety bond coverage afforded by a surety bond representing all or a portion of the Required Reserve, and, in addition, may be used to the extent not required to maintain the "Required Reserve", to pay, or provide for the payment of, the final principal amount of a the Bonds so that the Bonds are no longer deemed to be "Outstanding" as such term is defined herein.

The Required Reserve required to be maintained under this Resolution shall be an amount equal to the Average Annual Debt Service requirements on all outstanding Bonds. Except as otherwise provided by law, the Required Reserve shall be calculated on a Fiscal Year basis, with a fractional Fiscal Year being treated as an entire Fiscal Year; provided, however, that, so long as any Bonds are outstanding, such calculation (i) may be made (a) at the end of each Fiscal Year and/or (b) on any principal payment date of any Bond and such calculation shall include the Debt Service requirements that remain after taking into account all payments of Bonds made on or before the date of such calculation. The total amount to be accumulated and maintained in the Reserve Fund by reason of the issuance of the Bonds shall be specified in the Pricing Certificate. The Required Reserve shall be established and maintained with Pledged Revenues, the proceeds of sale of Bonds or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution which, at the time of issuance of such surety bond or insurance policy, has a rating from at least one nationally recognized rating agency or service that is equal to or greater than the unenhanced rating then assigned to the Bonds.

While the cash and investments and/or surety bond coverage in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund. Should the Reserve Fund at any time contain less than the Required Reserve or should the Corporation be obligated to repay or reimburse an issuer of a surety bond to replenish and restore the full amount of surety bond coverage provided by a surety bond held for the account of the Reserve Fund, the Corporation covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the 10th day of each month (beginning the month next following the month the deficiency in the Required Reserve occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) from Pledged Revenues in an amount equal to (i) 1/12th of the Required Reserve until the total Required Reserve then required to be maintained in said Fund has been fully restored or (ii) the amounts required to be reimbursed and repaid to the issuer of the surety bond in the event of a draw upon a surety bond. The Corporation further covenants and agrees that the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Resolution and any Supplemental Resolution.

During such time as the Reserve Fund contains the total Required Reserve, the Corporation may, at its option, withdraw any amount in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the Gross Sales Tax Revenue Fund, except that amounts from Bond proceeds on deposit in the Reserve Fund may only be deposited to the Bond Fund or the Reserve Fund.

Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund or Reserve Fund, such deficiency shall be cured as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

Payment of Bonds. While any of the Bonds are Outstanding, the designated financial officer of the Corporation shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

Investments - Security of Funds. Money in any Fund required to be maintained pursuant to this Resolution may, at the option of the Corporation, be invested in obligations and in the manner prescribed by the Public Funds Investment Act (Texas Government Code, Chapter 2256), including investments held in book-entry form; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times and provided further the maximum stated maturity for any investment acquired with money deposited to the credit of the Reserve Fund shall be limited to five (5) years from the date of the investment of such money. Such investments shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 45 days of the date of passage of each authorizing document of the Board pertaining to the issuance of Additional Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the appropriate account of the Bond Fund. All interest and income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the Pledged Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Obligations.

Money deposited to the credit of the Pledged Revenue Fund, Bond Fund and Reserve Fund, to the extent not invested and not otherwise insured by the Federal Deposit Insurance Corporation or similar agency, shall be secured by a pledge of direct obligations of the United States of America, or obligations unconditionally guaranteed by the United States of America.

Issuance of Additional Parity Obligations. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the Corporation reserves the right to issue, from time to time as needed, Additional Obligations for any lawful purpose. Such Additional Obligations may be issued in such form and manner as the Corporation shall determine, provided, however, prior to issuing or incurring such Additional Obligations, the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

The President and Chief Executive Officer of the Corporation (or other representative of the Corporation then having the primary responsibility for the financial affairs of the Corporation) shall have executed a certificate stating that, to the best of his or her knowledge and belief, the Corporation is not then in default as to any covenant, obligation or agreement contained in the Resolution or a Supplemental Resolution.

The Corporation has secured from a certified public accountant a certificate or opinion to the effect that, according to the books and records of the Corporation, the Gross Sales Tax Revenues received by the Corporation for either (i) the last completed Fiscal Year next preceding the adoption of the Supplemental Resolution authorizing the issuance of the proposed Additional Obligations or (ii) any twelve (12) consecutive months out of the previous eighteen (18) months next preceding the adoption of the Supplemental Resolution authorizing the Additional Obligations were equal to not less than 1.50 times the maximum annual Debt Service for all Parity Bonds then Outstanding after giving effect to the issuance of the Additional Obligations then being issued. Additionally, for the purpose of providing this certificate or opinion, if the Corporation shall not have received Gross Sales Tax Revenues for a full 12 month period, one-half of the amount of sales tax revenues (calculated at ½ of 1%) actually received by the City under Chapter 321, Texas Tax Code, as amended, may be used for the months during which the Corporation did not receive Gross Sales Tax Revenues.

Refunding Bonds. The Corporation reserves the right to issue refunding bonds to refund all or any part of the Parity Obligations (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Corporation, and if less than all such Parity Obligations then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Obligations) set forth in Section 18 hereof shall be satisfied, and shall give effect to the refunding, unless the refunding bonds produce a net present value savings to the Corporation in which case the conditions specified in Section 18 do not have to be satisfied in connection with such refunding.

Right to Create Subordinate Debt. Except as may be limited by a Supplemental Resolution, the Corporation shall have the right to issue or create any debt payable from or secured by a lien on all or any part of the Pledged Revenues for any lawful purpose without complying with the provisions of Section 18 or 19 hereof, provided the pledge and the lien securing such debt is subordinate to the pledge and lien established, made and created in Section 11 of this Resolution with respect to the Pledged Revenues to the payment and security of the Parity Obligations.

Confirmation and Levy of Sales Tax.

The Board hereby represents the City has duly complied with the provisions of the Act for the levy of the Sales Tax at the rate voted at the election held by and within the City on January 16, 1993, and such Sales Tax is to be imposed within the corporate limits of the City and the receipts of such Sales Tax are to be remitted to the City by the Comptroller of Public Accounts on a monthly basis.

While any Bonds are Outstanding, the Corporation covenants, agrees and warrants to take and pursue all action permissible to cause the Sales Tax, at said rate or at a higher rate if legally permitted, to be levied and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (a) of this Section to be ordered or permitted while any Bonds shall remain Outstanding.

If hereafter authorized by law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, to the extent it legally may do so, the Corporation agrees to use its best efforts to cause the City to take such action as may be required to subject such taxable items or transactions to the Sales Tax.

The Corporation agrees to take and pursue all action legally permissible to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by the Act, at the earliest and most frequent times permitted by law.

The Corporation agrees to use its best efforts to cause the City to comply with the Act and shall cause the Gross Sales Tax Revenues to be deposited to the credit of the Pledged Revenue Fund in their entirety immediately upon receipt by the City. In the alternative and if legally authorized, the Corporation shall, by appropriate notice, direction, request or other legal method, use its good-faith efforts to cause the Comptroller of Public Accounts of the State of Texas (the "Comptroller") to pay all Gross Sales Tax Revenues directly to the Corporation for deposit to the Pledged Revenue Fund.

Records and Accounts. The Corporation hereby covenants and agrees that while any of the Bonds are Outstanding, it will keep and maintain complete records and accounts in accordance with generally accepted accounting principles, and following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

A statement in reasonable detail regarding the receipt and disbursement of the Pledged Revenues for such Fiscal Year; and

A balance sheet for the Corporation as of the end of such Fiscal Year.

Such annual audit of the records and accounts of the Corporation shall be in the form of a report (and may be reflected in the audit of the City) and be accompanied by an opinion of the accountant to the effect that such examination was made in accordance with generally accepted auditing standards and contain a statement to the effect that in the course of making the examination necessary for the report and opinion, the accountant obtained no knowledge of any default of the Corporation on the Bonds or in the fulfillment of any of the terms, covenants or provisions of this Resolution, or under any other evidence of indebtedness, or of any event which, with notice or lapse of time, or both, would constitute a failure of the Corporation to comply with the provisions of this Resolution or if, in the opinion of the accountants, any such failure to comply with a covenant or agreement hereof, a statement as to the nature and status thereof shall be included.

Copies of each annual audit report shall be furnished upon written request, to any Holders of any of said Bonds. The audits herein required shall be made within 180 days following the close of each Fiscal Year insofar as is possible.

The Holders of any Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect such records, accounts and data of the Corporation during regular business hours.

Representations and Covenants as to Security for the Bonds.

The Corporation represents and warrants that, except for Parity Obligations, the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Resolution except as expressly provided herein.

The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Resolution, subject only to any applicable bankruptcy or insolvency laws or to any laws affecting creditors rights generally.

The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever.

The Corporation will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act.

The provisions, covenants, pledge and lien on and against the Pledged Revenues, as herein set forth, are established and shall be for the equal benefit, protection and security of the owners and holders of Parity Obligations without distinction as to priority and rights under this Resolution.

The Parity Obligations shall constitute special obligations of the Corporation, payable solely from, and equally and ratably secured by a parity pledge of and lien on, the Pledged Revenues, and not from any other revenues, properties or income of the Corporation. The Bonds may not be paid in whole or in part from any property taxes raised or to be raised by the City and shall not constitute debts or obligations of the State or of the City, and the Holders, shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation.

Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the pledge of the Pledged Revenues under this Resolution and all other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting firm or consulting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the Bonds on the Stated Maturities thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor accepted to the Paying Agent/Registrar have been made) the redemption date thereof.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section in excess of the amount required for the payment of the Bonds shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the Corporation, be remitted to the Corporation against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the Corporation shall be subject to any applicable unclaimed property laws of the State of Texas.

Resolution a Contract - Amendments. This Resolution, together with the Pricing Certificate, shall constitute a contract with the Holders from time to time, be binding on the Corporation, and shall not be amended or repealed by the Corporation while any Bond remains Outstanding except as permitted in this Section and in Section 39 hereof and the Pricing Certificate. The Corporation, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Corporation may, with the written consent from the owners holding a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the written consent of all Holders of Outstanding Bonds effected, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds or Parity Obligations, as the case may be, required to be held for consent to any such amendment, addition, or rescission.

INVESTMENT POLICIES

Investments

The Corporation invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. The Board of Directors of the Corporation delegate to the Chief Financial Officer of the City responsibility for selection of investments. Corporation investments are made in accordance with and subject to the requirements stated in the City's adopted investment policy. Both State law and the Corporation's investment policies are subject to change.

Legal Investments

Under State law, the Corporation is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (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 is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Corporation deposits; or (ii) where (a) the funds are invested by the Corporation through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the Corporation as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the Corporation; (b) the broker or the depository institution selected by the Corporation 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 Corporation; (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 Corporation appoints the depository institution selected under (a) above, a custodian 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 Corporation with respect to the certificates of deposit; (8) 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 Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) 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 (6) 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 (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation, held in the Corporation's name and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (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 of Texas; and (iv) the agreement to lend securities has a term of one year or less, (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (11) 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, (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. 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 Corporation 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 AAA-m or an equivalent by at least one nationally recognized rating service. The Corporation 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 Corporation retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Corporation must do so by order, Resolution, or resolution.

The Corporation 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.

Investment Policies

Under Texas law, the Corporation 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 a list of authorized investments for Corporation funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All Corporation funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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, Corporation 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 investment officers of the Corporation shall submit an investment report detailing: (1) the investment position of the Corporation, (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 strategy statements and (b) state law. No person may invest Corporation funds without express written authority from the Board of Directors.

Additional Provisions

Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Corporation to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation's investment policy; (6) provide specific investment training for the Corporation's designated Investment Officer; (7) 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 purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Corporation's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Corporation.

Current Investments

As of January 31, 2025, the Corporation's investments included $22,869,183 in municipal investment pools, $14,910,500 in U.S. Government and Agency Securities and $4,633,729 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.

TAX MATTERS – TAXABLE BONDS

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Taxable 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 in this Official Statement. 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 Taxable 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, broker-dealers, and persons who have hedged the risk of owning the Taxable Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the Taxable Bonds as "capital assets" within the meaning of section 1221 of the Internal Revenue Service Code of 1986, as amended (the "Code"), and acquire such Taxable 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 TAXABLE BONDS.

Payments of Stated Interest on the Taxable Bonds

The stated interest paid on the Taxable 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 Taxable 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 Taxable 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 bonds over its Issue Price, and the amount of the original issue discount on the Taxable Bonds will be amortized over the life of the Taxable 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 Taxable 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 Taxable 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 Taxable 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 Taxable Bonds will increase the adjusted tax basis of the Taxable Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a Taxable Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Taxable 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 Taxable Bond and may offset interest otherwise required to be included in respect of the Taxable Bond during any taxable year by the amortized amount of such excess for the taxable year. Taxable Bond premium on a Taxable 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 Taxable Bond. However, if the Taxable 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 Taxable 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 Taxable Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Taxable Bonds as well as gain on the sale of a Taxable Bond.

Disposition of Taxable Bonds and Market Discount

A beneficial owner of Taxable Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Taxable 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 Taxable Bonds. Generally, the beneficial owner's adjusted tax basis in the Taxable 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 Taxable Bonds.

Under current law, a purchaser of Taxable Bonds who did not purchase the Taxable Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Taxable 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 Taxable Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Taxable Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Taxable 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 Taxable Bonds could have a material effect on the market value of the Taxable Bonds.

Legal Defeasance

If the Corporation elects to defease the Taxable Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding Taxable Bonds (a "legal defeasance"), under current tax law, a beneficial owner of Taxable Bonds may be deemed to have sold or exchanged its Taxable Bonds. In the event of such a legal defeasance, a beneficial owner of Taxable Bonds generally would recognize gain or loss in the manner described above. Ownership of the Taxable 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 Taxable Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Taxable 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 Taxable Bonds. This withholding applies if such beneficial owner of Taxable 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 Taxable Bonds. Beneficial owners of the Taxable 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 Taxable 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 Taxable 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 Taxable Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the Taxable 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 Taxable Bonds and sales proceeds of Taxable 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 Taxable 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 Taxable Bond for U.S. federal income tax purposes.

TAX MATTERS – TAX-EXEMPT BONDS

Tax Exemption

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

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City and the Corporation made in a certificate dated the date of delivery of the Tax-Exempt Bonds pertaining to the use, expenditure, and investment of the proceeds of the Tax-Exempt Bonds and will assume continuing compliance by the Corporation with the provisions of the Resolution and continuing compliance by the City with the provisions of a resolution approving the issuance of the Tax-Exempt Bonds (the "City Resolution") subsequent to the issuance of the Tax-Exempt Bonds. The Resolution and the City Resolution contain covenants by the Corporation and the City with respect to, among other matters, the use of the proceeds of the Tax-Exempt Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Tax-Exempt Bonds are to be invested, the periodic calculation and payment to the United States Treasury of any "arbitrage profits" from the investment of 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 Tax-Exempt Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Tax-Exempt Bonds.

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

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

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

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Tax-Exempt 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 Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt 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 Tax-Exempt Bonds

The initial public offering price of certain Tax-Exempt Bonds (the "Discount Tax-Exempt Bonds") may be less than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Tax-Exempt Bond (assuming that a substantial amount of the Discount Tax-Exempt Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Tax-Exempt Bond.

A portion of such original issue discount allocable to the holding period of such Discount Tax-Exempt Bond by the initial purchaser will, upon the disposition of such Discount Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Tax-Exempt Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

Owners of Discount Tax-Exempt Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Tax-Exempt Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Tax-Exempt Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Tax-Exempt 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 Tax-Exempt Bonds (the "Premium Tax-Exempt Bonds") paid by an owner may be greater than the amount payable on such Tax-Exempt Bonds at maturity. An amount equal to the difference excess of a purchaser's tax basis on a Premium Tax-Exempt Bond over the amount payable at maturity constitutes premium to the such purchaser. The basis for federal income tax purposes of a Premium Tax-Exempt Bond in the hands of such initial 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 Tax-Exempt Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Tax-Exempt Bond, the yield based on a call date that results in the lowest yield on the Tax-Exempt Bond).

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Corporation of the general type included in this Official Statement under Tables numbered 2 through 4 and in Appendix A. The Issuer will update and provide the information shown in Tables numbered 2 through 4 within six months after the end of each fiscal year ending in and after 2025, audited financial statements within six months after the end of each fiscal year ending in and after 2025, and should audited financial statements not be available within six months after any such fiscal year end, the Issuer will provide unaudited financial statements within such six month period and audited financial statements for the applicable fiscal year when and if the audit report on such statements becomes available. 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 information until the audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The Corporation 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 Tax-Exempt 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 Corporation, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation 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 Corporation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Corporation, 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 Corporation, any of which reflect financial difficulties. In addition, the Corporation will provide timely notice of any failure by the Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The Corporation 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 Corporation 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 19 the assets or business of the Corporation, 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 Corporation. 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 Corporation 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

The Corporation has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the last five years, the Corporation has complied in all material respects with continuing disclosure agreements made by it in accordance with the Rule. In connection with the required annual disclosure due Sunday, March 31, 2024, the Corporation failed to timely file the disclosure documents due to an administrative issue with the EMMA system that could not be resolved until the next business day, Monday, April 1, 2024. Subsequent to the issue being resolved with EMMA, the documents were promptly filed on April 1, 2024.

OTHER PERTINENT INFORMATION

Registration and Qualification

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

Cybersecurity

The Corporation's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the Corporation continually assesses and monitors its cybersecurity risks, the Corporation has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the Corporation takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the Corporation has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the Corporation will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the Corporation's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the Corporation's operations and/or financial condition.

The City experienced a cybersecurity data breach in November 2024. The breach was limited to a small subset of data that did not include any MEDC data. The attack vector that was used for the breach was rectified and additional measures were put into place to prevent this type of attack and others.

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.

Weather

The Corporation is located in north central Texas north of Dallas and Fort Worth. Land located in this area is susceptible to high winds, tornados, fires and arid conditions. If a future weather-related event were to cause significant damage to the City's property or business operations in the City are interrupted for any material period, such damage or interruption could reduce the amount of Sales Tax revenues available to the Corporation, which could have an adverse impact on the Corporation's ability to satisfy its debt service obligations on the Bonds.

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 and No-Litigation Certificate

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

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

Rating

The Bonds are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. An explanation of the significance of such rating may be obtained from the rating agency. 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.

Financial Advisor

Estrada Hinojosa is contracted as Financial Advisor to the Corporation and the City in connection with the issuance of the Bonds. The fee for services rendered by the Financial Advisor with respect to the sale of the Bonds is contingent upon the issuance and delivery of such Bonds. Estrada Hinojosa has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the Corporation for the investment of bond proceeds or other funds of the Corporation upon the request of the Corporation.

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

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

Underwriting

The Underwriters have agreed, subject to certain customary conditions, to purchase the Taxable Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $______on the Taxable Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Taxable Bonds, if any Taxable Bonds are purchased. The Taxable Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain customary conditions, to purchase the Tax-Exempt Bonds at a price equal to the initial offering prices to the public, as shown on the inside cover page hereof, less an Underwriters' discount of $______on the Tax-Exempt Bonds. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Tax-Exempt Bonds, if any Tax-Exempt Bonds are purchased. The Tax-Exempt Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws but the Underwriters do not guarantee the accuracy or completeness of such information.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Corporation, that are not purely historical, are forward-looking statements, including statements regarding the Corporation'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 Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements.

It is important to note that the Corporation'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 Corporation. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the Corporation's records, audited financial statements and other sources, which are believed to be reliable. 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statues, documents and resolutions. 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.

In the Resolution, the Board authorized the Pricing Officer to approve, and in the Taxable Pricing Certificate and the Tax-Exempt Pricing Certificate the Pricing Officer will approve, for and on behalf of the Issuer, (i) the form and content of this Official Statement, and any addenda, supplement, or amendment thereto and (ii) the Underwriters' use of this Official Statement in connection with the public offering and sale of the Bonds in accordance with the provisions of the Rule.

Pricing Officer
McKinney Economic Development Corporation

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY AND THE CORPORATION

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OTHER OBLIGATIONS

Please refer to page 66 of the City of McKinney, Texas Annual Comprehensive Financial Report for the Fiscal Year Ended September 30, 2024, 3.J. LONG-TERM DEBT – Capital Leases.

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

	FY2024	FY2023	FY2022	FY 2021	FY2020
Revenues					
Sales and use taxes	$ 23,883,071	$ 22,306,184	$ 21,187,337	$ 18,349,959	$ 16,099,254
Interest income	1,723,931	1,057,556	146,581	10,516	148,447
Contributions	399,110	353,373	-	-	280
Total Revenue	$ 26,006,112	$ 23,717,113	$ 21,333,918	$ 18,360,475	$ 16,247,981
Expenditures					
Economic development	$ 10,714,551	$ 21,392,055	$ 13,084,749	$ 8,163,711	$ 13,618,805
Interest and fiscal charges	353,932	319,268	293,188	782,766	938,238
Principal payments	2,344,267	2,246,635	2,175,000	-	3,015,000
Capital outlay	-	2,257,869	264,040	-	-
Total expenditures	$ 13,412,750	$ 26,215,827	$ 15,816,977	$ 8,946,477	$ 17,572,043
Excess (deficiency) of revenue over expenditures	12,593,362	(2,498,714)	5,516,941	9,413,998	(1,324,062)
Other Financing Sources (uses)					
Proceeds from issuance of long-term debt	-	2,058,211	-	22,650,000	-
Sale of property	890,156	73,413	916	87,106	-
Payment for refunded bond escrow agent	-	-	-	(23,990,056)	-
Total other financing sources (uses)	890,156	2,131,624	916	(1,252,950)	-
Excess (deficiency) of revenues and other sources over expenditures	13,483,518	(367,090)	5,517,857	8,161,048	(1,324,062)
Beginning fund balance	29,167,256	29,534,346	24,016,489	15,855,441	17,179,503
Ending fund balance	$ 42,650,774	$ 29,167,256	$ 29,534,346	$ 24,016,489	$ 15,855,441

GENERAL INFORMATION REGARDING THE CITY

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	City of McKinney	Collin County
1990	22,850	264,036
2000	54,369	491,675
2010	131,117	782,341
2018	179,804	969,603
2019	187,802	1,005,146
2020	195,342	1,034,730
2021	198,507	1,064,465
2022	206,654	1,109,462
2023	211,397	1,158,696
2024	214,810	1,254,658

Source: Bureau of the Census, the City of McKinney, the Chamber of Commerce and the North Central Texas Council of Governments.

Unemployment Rates

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

Source: Texas Workforce Commission

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Company	Product or Service	Approximate Num of Employees
Raytheon TI Systems, Inc.	Electronic systems	4,200
McKinney Independent School District	Educational services	2,920
Collin County	Governmental Services	2,000
Globe Life	Insurance	1,700
Encore Wire	Manufacturing	1,653
City of McKinney	Governmental Services	1,565
Medical Center of McKinney	Medical services	1424
Baylor Medical Center of McKinney	Medical services	1171
Collin College	Education	794
Simpson Strong Tie	Manufacturing	650

All figures are as of January 1, 2024, unless otherwise noted.
Source: City of McKinney

Building Permits

	Residential		Commercial		Multi Family	
Fiscal Year Ended 9-30	Number of Permits	Dollar Amount of Permits	Number of Permits	Dollar Amount of Permits	Number of Permits	Dollar Amount of Permits
2015	71	187,927,020	2081	703,543,990	9	192,553,399
2016	59	116,187,569	2205	734,006,485	5	116,044,204
2017	97	239,296,995	2521	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	372,583,627	1544	505,735,976	4	78,274,913
2021	81	211,994,221	1722	510,404,069	0	-
2022	93	685,003,453	1286	407,834,304	10	339,030,798
2023	129	485,606,593	1853	583,350,264	16	491,397,920
2024	76	485,352,139	2310	722,166,144	6	207,367,350

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

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Additional Information

Utility Services:	City of McKinney (water and sewer), AT&T, Oncor Electric Delivery, Atmos Energy.
Colleges & Universities:	Collin College – McKinney; Collin College – Frisco; Collin College – Plano; Southern Methodist University – Dallas, Texas Woman's University – Denton; University of North Texas – Denton, and University of Texas at Dallas – Richardson.
Financial Institutions:	Bank of America; Bank One Texas NA; Chase Bank; View Point Bank; First Bank of Texas NA; Guaranty Federal Bank; Heritage Land Bank; Capital One; Legacy Bank; National Bank of Texas; Wells Fargo Bank; Texas Star Bank; American National Bank; Valiance Bank; Independent Financial; Synergy Bank; BancorpSouth Bank.
Air Transportation:	McKinney National Airport, Dallas-Fort Worth International Airport, Dallas Love Field Airport.

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APPENDIX B

FORMS OF LEGAL OPINIONS OF BOND COUNSEL

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NORTON ROSE FULBRIGHT

[Closing Date]

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
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United States

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Fax +1 214 855 8200
nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "McKinney Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2025A," dated April 30, 2025, in the principal amount of $________ (the "Bonds"), we have examined into their issuance by the McKinney Economic Development Corporation (the "Corporation"), solely to express legal opinions as to the validity of 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 Corporation, the disclosure of any financial or statistical information or data pertaining to the Corporation 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 September 1 in each of the years specified in the pricing certificate executed pursuant to a resolution adopted by the Board of Directors of the Corporation authorizing the issuance of the Bonds (jointly, the "Resolution"), 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 Resolution.

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 Resolution and an examination of the initial Bond executed and delivered by the Corporation (which we found to be in due form and properly executed); (ii) certifications of officers of the Corporation relating to certain facts within the knowledge and control of the Corporation 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, the Bonds have been duly authorized by the Corporation and, when issued in compliance with the provisions of the Resolution, are valid, legally binding and enforceable obligations of the Corporation and are payable solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolution) received by the Corporation including the receipts from a local sales and use tax levied for the benefit of the Corporation, 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.

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

Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
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United States

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

IN REGARD to the authorization and issuance of the "McKinney Economic Development Corporation Sales Tax Revenue Bonds, Series 2025B," dated April 30, 2025, in the principal amount of $________ (the "Bonds"), we have examined into their issuance by the McKinney Economic Development Corporation (the "Corporation"), 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 Corporation, the disclosure of any financial or statistical information or data pertaining to the Corporation 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 September 1 in each of the years specified in the pricing certificate executed pursuant to a resolution adopted by the Board of Directors of the Corporation authorizing the issuance of the Bonds (jointly, the "Resolution"), 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 Resolution.

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 Resolution and an examination of the initial Bond executed and delivered by the Corporation (which we found to be in due form and properly executed); (ii) certifications of officers of the Corporation relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Corporation 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 Corporation and, when issued in compliance with the provisions of the Resolution, are valid, legally binding and enforceable obligations of the Corporation and are payable solely from and equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Resolution) received by the Corporation including the receipts from a local sales and use tax levied for the benefit of the Corporation, 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 Corporation with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

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

APPENDIX C

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

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

Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Members of the City Council
City of McKinney, Texas

Supplementary Information

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 26, 2024

McKINNEY®
TEXAS
Unique by nature.

Management's Discussion and Analysis

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2024. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

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

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

Table 2
Changes in Net Position
(in Thousands)

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

Governmental Activities

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

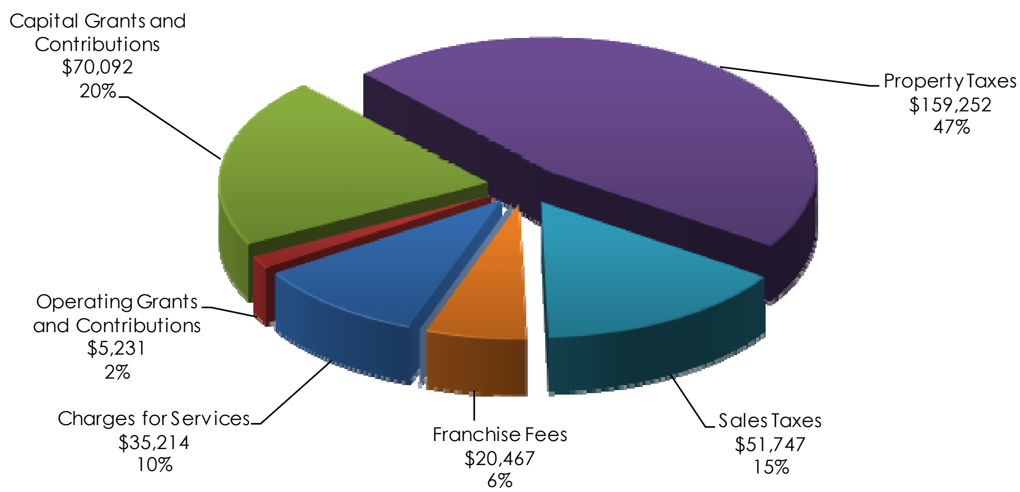
Revenues

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

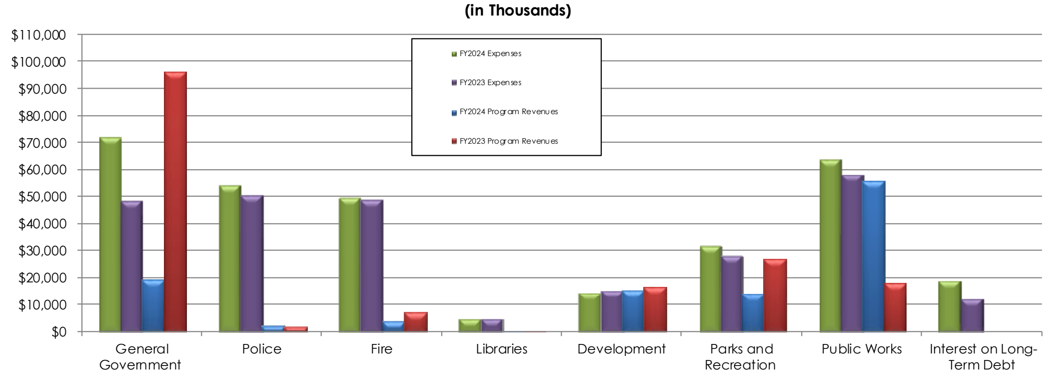
Expenses

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

Revenues by Source - Governmental Activities
(in Thousands)



Expenses and Program Revenues - Governmental Activities
(in Thousands)



Business-type Activities

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

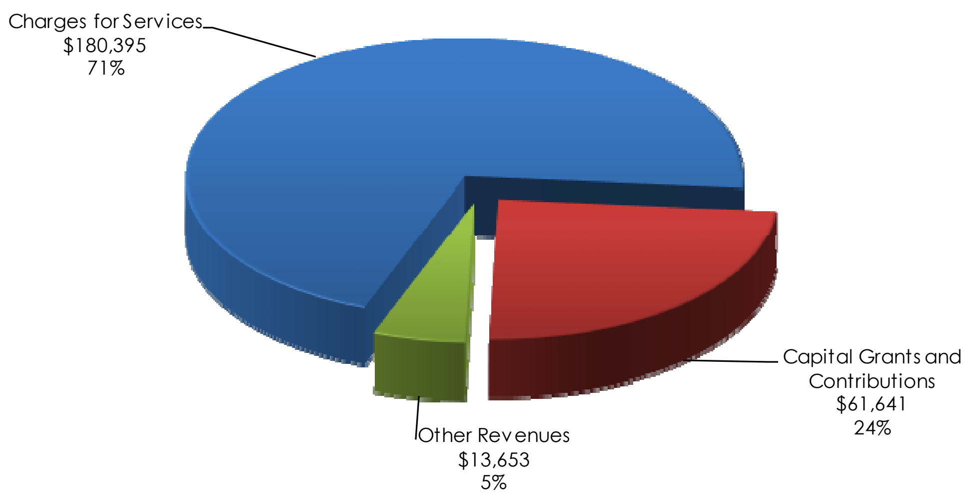
Revenues

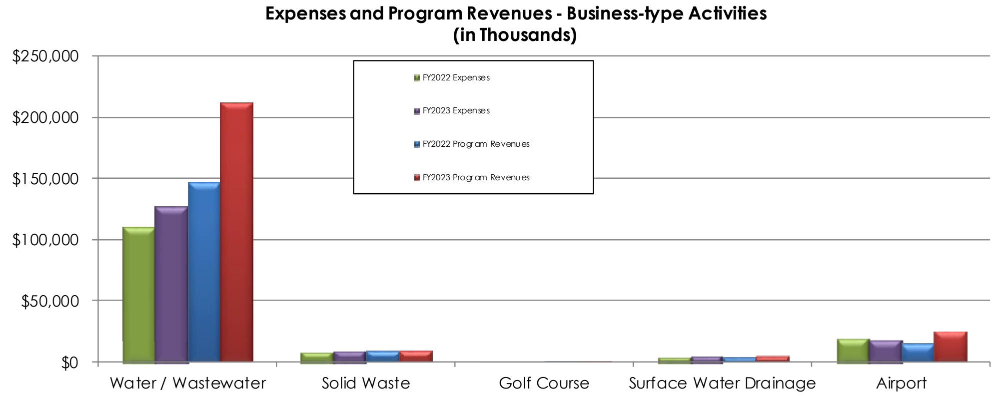
- The Water/Wastewater Fund's operating revenues increased by $14.1 million, or 10% as a result of adding approximately 1,800 new customer accounts.
- The Water/Wastewater Fund received capital contributions of $58.8 million relating to continued development in the City.
- The Airport Fund received intergovernmental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

Expenses

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

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





Financial Analysis of the City's Funds

Governmental Funds

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

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

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

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

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

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

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

Proprietary Funds
The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2024, net position of the proprietary funds included the following amounts of net position:

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

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

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

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

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

General Fund Budgetary Highlights

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

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

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

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

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

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

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

Capital project commitments as of September 30, 2024:

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

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

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

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

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

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

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

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

Highlights of the 2025 budget include:

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

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

Requests for Information

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

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Basic Financial Statements

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

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

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

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

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

General revenues:
Property taxes
Sales taxes
Franchise taxes
Other taxes
Investment income (loss)
Gain on sale of assets
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
NET POSITION - ENDING

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

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

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

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

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

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

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

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

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

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

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

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

City of McKinney, Texas

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

For the Year Ended September 30, 2024

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

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

City of McKinney, Texas

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

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

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

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

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

(continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General revenues:
Sales taxes
Investment income
Gain (loss) on the sale of assets
Miscellaneous

Total general revenues

Change in net position

Net position - beginning

NET POSITION - ENDING

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

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

Note 1. Summary of Significant Accounting Policies

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

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

Financial Statement Presentation

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

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

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

Financial Reporting Entity

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

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

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

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

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

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

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

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

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

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

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

2. Proprietary Funds:

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

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

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

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

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

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

Cash, Cash Equivalents, and Investments

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

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

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

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

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

Inventories and Prepaid Items

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

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

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

Interfund Receivables and Payables

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

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

Restricted Assets

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

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

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

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

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

Bonds Payable and Other Long-Term Obligations

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

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

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

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

Leases

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

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

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

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

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

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

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

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

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

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

Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

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

Pensions

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

Defined Benefit Other Postemployment Benefit Plans

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

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

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

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

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

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

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

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

Fund Equity

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

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

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

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

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

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

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

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

GASB Pronouncements Implemented by the City

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

Note 2. Stewardship, Compliance, and Accountability

Budgetary Data

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

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

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

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

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

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

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

Note 3. Detailed Notes on All Funds

Cash and Investments

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

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

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

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

Disclosures Relating to Interest Rate Risk

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

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

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

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

Disclosures Relating to Credit Risk

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

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

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

Custodial Credit Risk

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

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

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

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

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

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

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

Property Taxes

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

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

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

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

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

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

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

Receivables

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

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

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

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

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

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

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

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

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

Capital Assets

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

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

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

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

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

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

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

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

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

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

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

Capital Improvement Program Commitments

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

Commitments for construction in progress are composed of the following:

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

Interfund Receivables, Payables and Transfers

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

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

Transfers between funds during the year were as follows:

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

Transfers are used to:

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

The City's more significant transfers are listed below:

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

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

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

Unavailable/Unearned Revenue

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

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

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

Long-Term Debt

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

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

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

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

Compensated Absences

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

General Obligation Bonds and Certificates of Obligation

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

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

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

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

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

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

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

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

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

Revenue Bonds

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

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

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

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

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

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

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

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

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

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

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

Right-to-Use Lease Liability

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

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

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

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

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

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

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

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

Subscription Based Information Technology Arrangements (SBITA)

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

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

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

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

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

Restricted Assets

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

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

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment principal and interest on all the revenue bonds. At September 30, 2024, net position is sufficient to satisfy such bond ordinance requirements.

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

Note 4. Deferred Compensation Plan

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

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

Note 5. Pension Plan

Plan Description

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

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms:

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

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

Contributions

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

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

Net Pension Liability

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

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

Changes in the Net Pension Liability

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

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

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

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

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

Note 6. Postemployment Benefits Other Than Pensions

Retiree Health Care Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Supplemental Death Benefit Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 7. Disclosures about Fair Value of Assets

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

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

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

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

Investment in State Investment Pools

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

Recurring Measurements

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

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

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

Investments

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

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

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

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City’s annual payment for the year ended September 30, 2024, was $32,242,401.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any “additional member city,” as defined. Each member city pays an “annual payment,” as defined, as its share of operating expenses and debt service of NTMWD. The City’s annual payment for the year ended September 30, 2024, was $6,042,952.

Note 9. Litigation

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

Note 10. Contingent Liabilities

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

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

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

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

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

Note 11. Insurance and Risk Management

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

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

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

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

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

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

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

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

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

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

Note 12. Tax Abatements and Grants

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

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

Note 13. Subsequent Events

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

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