Financial Report For the Year Ended

June 30, 2007

Financial Report

Financial Report For the Year Ended June 30, 2007

CERTIFICATE OF BOARD

McKinney Independent School District	Collin	043-907
Name of School District	County	Co Dist. Number
We, the undersigned, certify that the attached finance reviewed and () approved () disapproved for the year of School Trustees of such school district on the	ear ended June 30, 200°	7, at a meeting of the Board
Signature of Board Secretary	Signature of Bo	
If the auditor's report was disapproved the reason's	s) therefore is/are (atta	ch list if nacessary).



PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS P. O. BOX 148 FRISCO, TEXAS 75034 972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA RANDY HOWARD, CPA R. WAYNE NABORS, CPA ROBIN J. TURNBULL, CPA MEMBERS

AMERICAN INSTITUTE of CPAS
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAS

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-2, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Pingleton, Howard & Company, P.C.

September 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McKinney Independent School District annual financial report presenOM	R N EW OF THE FINANCIAL STATE

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$82,487,036 on June 30, 2007. (See Table A-1).

Table A-1 The District's Net Assets

	Governmen	Governmental Activities		
<u>-</u>	2007	2006	Change	
Current & Other Assets	108,499,999	146,205,966	-25.79%	
Capital & Non-Current Assets	392,880,871	346,468,328	13.40%	
Total Assets	501,380,870	492,674,294	1.77%	
Current Liabilities	53,512,722	42,644,298	25.49%	
Long Term Liabilities	365,381,112	386,770,812	-5.53%	
Total Liabilities	418,893,834	429,415,110	-2.45%	
Net Assets				
Invested in Capital Assets				
net of related debt	4,299,738	19,181,910	-77.58%	
Restricted	34,565,113	14,310,805	141.53%	
Unrestricted	43,622,185	29,766,469	46.55%	
Total Net Assets	82,487,036			

Governmental Activities-Changes in Net Assets

- State aid increased as legislation required a lowering of the property tax rate and additional state funding was granted to hold the school district harmless for the resulting decrease in revenue per pupil.
- Investment earnings increased due to higher interest rates and early receipt of increased state funding.
- Resolution of several claims from School Health Related Services increased funding for unrestricted grants.
- Expenditures for data processing services increased due to additional staffing and the purchase of new software systems for both business and student applications.
- The increases in most expense categories were associated with additional staffing to accommodate student enrollment growth.
- The increase in extracurricular activities reflects the addition of a third high school in 2006-2007.

Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

• The cost of all

General Fund Budgetary Highlights

During the course of the fiscal year, the District reviews and revises its budget on a monthly basis in accordance with TEA FARG standards. General Fund revenues for the fiscal year ended June 30, 2007 exceeded budget by \$7,374,960 due primarily to an increase in state revenues under the new school finance system. In addition, rising interest rates increased investment income \$1,099,656 over budget and property tax collections exceeded projections by \$1,538,354. Total expenditures for the fiscal year were \$6,197,760 under budget.

At the end of fiscal year 2006, the ending general fund balance of \$34.5 million represented 24.0% of the 2006-2007 operating budget. At fiscal year-end 2007, the ending fund balance of \$49.7 million represented 30.5% of the 2007-2008 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2007, the District had invested \$329,880,871 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4.) Buildings and Improvements and Furniture and Equipment increased with the construction of Naomi Press Elementary, Jesse McGowan Elementary, and Phase 2 of McKinney Boyd High School. Additional information on capital assets is contained in Note 4, Section D of the Notes to the Financial Statements.

Table A-4
District's Capital Assets
Governmental Activities 1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable appraised value used for the 2008 budget preparation has increased approximately \$940 million, which represents an increase of 12.5% from 2007 values. New construction for 2008 amounts to approximately \$489 million, with a net of \$42 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on average daily

TEA implemented and has annually assigned financial accountability ratings to Texas state school districts since the 2001-2002 fiscal audit. The McKinney ISD has received a 'Superior Achievement' rating for all applicable fiscal years, which represents the highest rating that a district can achieve.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Business Services Group McKinney Independent School District #1 Duvall Street McKinney, TX 75069 469-742-4000



BASIC FINANCIAL STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF NET ASSETS JUNE 30, 2007

Data		Primary Government
	.1	
Contro	01	Governmental
Codes		Activities
ASSI	ETS	
1110	Cash and Cash Equivalents	\$ 96,367,016
1220	Property Taxes Receivable (Delinquent)	5,391,069
1230	Allowance for Uncollectible Taxes	(161,732)
1240	Due from Other Governments	12,362,479
1250	Accrued Interest	845,970
1290	Other Receivables, net	778,180
1300	Inventories	532,950
1410	Deferred Expenses	407,036
1420	Capitalized Bond and Other Debt Issuance Costs	525,368
1430	Premium or Discount on Issuance of Debt	(8,548,337)
Ca	apital Assets:	
1510	Land	18,998,673
1520	Buildings, Net	322,530,360
1530	Furniture and Equipment, Net	3,029,064
1580	Construction in Progress	48,322,774
1000	Total Assets	501,380,870
LIAE	BILITIES	
2140	Interest Payable	6,921,801
2160	Accrued Wages Payable	14,481,385
2200	Accrued Expenses	9,932,262
2300	Deferred Revenues	380,222
N	oncurrent Liabilities	
2501	Due Within One Year	21,797,052
2502	Due in More Than One Year	366,784,081
2600	Deferred Loss on Refunding Bonds	(1,402,969)
2000	Total Liabilities	418,893,834
NET	ASSETS	
3200	Invested in Capital Assets, Net of Related Debt	4,299,738
3820	Restricted for Federal and State Programs	783,377
3850	Restricted for Debt Service	15,119,440
3860	Restricted for Capital Projects	18,662,296
3900	Unrestricted Net Assets	43,622,185
3000	Total Net Assets	\$ 82,487,036

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Net	(Ex	pei	ıse)
Rev	venu	e a	nd
Char	iges	in	Net

Control Codes	Data			Program Re	evenues	C	Assets
Primary Governments		1		3	4		6
Primary Government:					Operating		Primary Gov.
Primary Government: GOVERNMENTAL ACTIVITIES:	Codes			Charges for	Grants and	(Governmental
Total Part		Expenses		Services	Contributions		Activities
11 Instruction \$ 103,241,209 \$ 960,952 \$ 10,234,025 \$ (3,453,847) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (3,453,84	Primary Government:						
11 Instruction \$ 103,241,209 \$ 960,952 \$ 10,234,025 \$ (3,453,847) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (2,792,979) \$ (3,453,847) \$ (3,453,84	GOVERNMENTAL ACTIVITIES:						
13 Curriculum and Instructional Staff Development	11 Instruction	\$ 103,241,209	\$	960,952 \$	10,234,025	\$	(92,046,232)
1	12 Instructional Resources and Media Services	3,539,342		-	85,495		(3,453,847)
1	13 Curriculum and Instructional Staff Development	1,428,476		-	155,315		(1,273,161)
School Leadership 9,455,140 - 329,635 (9,125,505) Guidance, Counseling and Evaluation Services 4,679,032 - 467,921 (4,211,111) Social Work Services 265,005 - 68,844 (1,437,135) Health Services 1,505,979 - 68,844 (1,437,135) Student (Pupil) Transportation 5,613,619 - 29,835 (5,583,784) Food Services 7,280,247 4,282,690 2,620,411 (377,146) Goeneral Administration 4,110,085 - 88,497 (4,021,588) Plant Maintenance and Operations 15,373,577 731,787 103,564 (14,538,226) Security and Monitoring Services 418,655 - 10,917 (407,738) Data Processing Services 6,319,733 - 704,499 (5,615,234) Community Service - Interest on Long Term Debt 19,817,196 0 (19,817,196) Debt Service - Bond Issuance Cost and Fees 55,858 - - 0 (19,817,196) Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - 0 (106,265) Total PRIMARY GOVERNMENT: 195,497,742 9,136,270 15,317,211 (171,044,261) Total PRIMARY GOVERNMENT: 195,497,742 9,136,270 15,317,211 (171,044,261) Property Taxes, Levied for General Purposes 101,944,081 Property Taxes, Levied for Debt Service 35,062,776 State Ald Formula Grants 4,0777,551 Formula Grants 6,000		3,081,143		-			(2,792,979)
Guidance, Counseling and Evaluation Services		9,455,140		-			(9,125,505)
Social Work Services 265,005 - (265,005) Health Services 1,505,979 - 68,844 (1,437,135) Student (Pupil) Transportation 5,613,619 - 29,835 (5,583,784) Student (Pupil) Transportation 5,613,619 - 29,835 (5,583,784) Good Services 7,280,247 4,282,690 2,620,411 (377,146) General Administration 4,110,085 - 88,497 (4,021,588) Plant Maintenance and Operations 15,373,577 731,787 103,564 (14,538,226) Security and Monitoring Services 418,655 - 10,917 (407,738) Data Processing Services 6,319,733 - 704,499 (5,615,234) Community Service - Interest on Long Term Debt 19,817,196 - - (19,817,196) Debt Service - Bond Issuance Cost and Fees 55,858 - - (19,817,196) Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - - (106,265) Total Primary Government \$195,497,742 \$9,136,270 \$15,317,211 (171,044,261) Data Control Codes Co		4,679,032		-	467,921		(4,211,111)
Student (Pupil) Transportation 5,613,619 - 29,835 (5,583,784) Food Services 7,280,247 4,282,690 2,620,411 (377,146) Gournicular/Extracurricular Activities 6,453,308 564,588 123,715 (5,765,005) General Administration 4,110,085 - 88,497 (4,021,588) Plant Maintenance and Operations 15,373,577 731,787 103,564 (14,538,226) Security and Monitoring Services 418,655 - 10,917 (407,738) Data Processing Services 6,319,733 - 704,499 (5,615,234) Community Service - Interest on Long Term Debt 19,817,196 0,000 (19,817,196) Debt Service - Bond Issuance Cost and Fess 55,858 0 (19,817,196) Payments to Fiscal Agent/Member Districts of SSA 2,319 - 0,000 (2,319) Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - 0,000 (106,265) TOTAL PRIMARY GOVERNMENT: \$195,497,742 \$9,136,270 \$15,317,211 (171,044,261) Total Property Taxes, Levied for General Purposes 101,944,081 Data Control Codes Formula Grants 100,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477		265,005		-	-		(265,005)
Take	33 Health Services	1,505,979		-	68,844		(1,437,135)
Cocurricular/Extracurricular Activities 6,453,308 564,588 123,715 (3,765,005)	34 Student (Pupil) Transportation	5,613,619		-	29,835		(5,583,784)
4,110,085	35 Food Services	7,280,247		4,282,690	2,620,411		(377,146)
51 Plant Maintenance and Operations 15,373,577 731,787 103,564 (14,538,226) 52 Security and Monitoring Services 418,655 - 10,917 (407,738) 53 Data Processing Services 6,319,733 - 704,499 (5,615,234) 61 Community Services 2,751,554 2,596,253 4,055 (151,246) 72 Debt Service - Interest on Long Term Debt 19,817,196 - - (19,817,196) 73 Debt Service - Bond Issuance Cost and Fees 55,858 - - - (55,858) 93 Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - - (106,265) Fayments to Juvenile Justice Alternative Ed. Prg. 106,265 - - - (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$195,497,742 \$9,136,270 \$15,317,211 (171,044,261) Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956	36 Cocurricular/Extracurricular Activities	6,453,308		564,588	123,715		(5,765,005)
52 Security and Monitoring Services 418,655 - 10,917 (407,738) 53 Data Processing Services 6,319,733 - 704,499 (5,615,234) 61 Community Services 2,751,554 2,596,253 4,055 (151,246) 72 Debt Service - Interest on Long Term Debt 19,817,196 - - - (19,817,196) 73 Debt Service - Bond Issuance Cost and Fees 55,858 - - - (55,858) 93 Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - (106,265) Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - - - (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: <td>41 General Administration</td> <td>4,110,085</td> <td></td> <td>-</td> <td>88,497</td> <td></td> <td>(4,021,588)</td>	41 General Administration	4,110,085		-	88,497		(4,021,588)
52 Security and Monitoring Services 418,655 - 10,917 (407,738) 53 Data Processing Services 6,319,733 - 704,499 (5,615,234) 61 Community Services 2,751,554 2,596,253 4,055 (151,246) 72 Debt Service - Interest on Long Term Debt 19,817,196 - - - (19,817,196) 73 Debt Service - Bond Issuance Cost and Fees 55,858 - - - (55,858) 93 Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - (106,265) Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - - - (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: Taxes: <td>51 Plant Maintenance and Operations</td> <td>15,373,577</td> <td></td> <td>731,787</td> <td>103,564</td> <td></td> <td>(14,538,226)</td>	51 Plant Maintenance and Operations	15,373,577		731,787	103,564		(14,538,226)
Community Services 2,751,554 2,596,253 4,055 (151,246)		418,655		-	10,917		(407,738)
72 Debt Service - Interest on Long Term Debt 19,817,196 - - (19,817,196) 73 Debt Service - Bond Issuance Cost and Fees 55,858 - - (55,858) 93 Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - (106,265) 95 Payments to Juvenile Justice Alternative Ed. Prg. 106,265 - - (106,265) ITP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Data Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477		6,319,733		-	704,499		(5,615,234)
Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 - 2,319 Payments to Juvenile Justice Alternative Ed. Prg. 106,265 (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Data Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477		2,751,554		2,596,253	4,055		(151,246)
Payments to Fiscal Agent/Member Districts of SSA 2,319 - 2,319 Payments to Juvenile Justice Alternative Ed. Prg. 106,265 (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Data Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 Investment Earnings 7,173,477	72 Debt Service - Interest on Long Term Debt	19,817,196		-	-		(19,817,196)
95 Payments to Juvenile Justice Alternative Ed. Prg. 106,265 (106,265) [TP] TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261) Data Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477	73 Debt Service - Bond Issuance Cost and Fees	55,858		-	-		(55,858)
TOTAL PRIMARY GOVERNMENT: \$ 195,497,742 \$ 9,136,270 \$ 15,317,211 (171,044,261)	93 Payments to Fiscal Agent/Member Districts of SSA	2,319		-	2,319		-
Data Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes DT Property Taxes, Levied for Debt Service SF State Aid - Formula Grants GC Grants and Contributions not Restricted Formula Grants Formula	95 Payments to Juvenile Justice Alternative Ed. Prg.	106,265		<u> </u>	-		(106,265)
Control Codes General Revenues: Taxes: MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 195,497,742	\$	9,136,270 \$	15,317,211		(171,044,261)
MT Property Taxes, Levied for General Purposes 101,944,081 DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477	Control Codes General F	nues:	=	=			
DT Property Taxes, Levied for Debt Service 35,062,776 SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477		rty Taxes. Lev	ied	for General Puri	ooses		101,944,081
SF State Aid - Formula Grants 40,777,551 GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477							
GC Grants and Contributions not Restricted 956,937 IE Investment Earnings 7,173,477							
IE Investment Earnings 7,173,477				ot Restricted			

Other Funds		Total Governmental Funds
\$ 2,061,356	\$	96,367,016 5,391,069
- 1,943,906		(161,732) 12,362,479
1,943,900		12,362,479 845,970
-		778,180
25,020		532,950 407,036
\$ 4,030,282	\$	116,522,968
	_	
\$ 620,479	\$	14,481,385
250,213		9,932,262
 108,224	_	5,609,559
\$ 978,916	\$	30,023,206
\$ -	\$	532,950
-		15,119,440
783,377		382,016 783,377
,		,
-		18,662,296
-		1,059,486
-		47,692,208
2,267,989	_	2,267,989
\$ 3,051,366	\$	86,499,762
\$ 4,030,282	\$	116,522,968

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MCKINNEY INDEPENDENT SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2007

Total	Fund Balances - Governmental Funds	\$ 86,499,762
are no assets additi of \$2 repor for ca	cal assets used in governmental activities are not financial resources and therefore on the reported in governmental funds. At the beginning of the year, the cost of these is was \$406,451,007 and the accumulated depreciation was \$59,982,679. In ston, long-term liabilities, including bonds payable of \$399,785,312, and loans payable as \$77,052, are not due and payable in the current period, and, therefore are not sted as liabilities in the funds. The net effect of including the beginning balances upital assets (net of depreciation) and long-term debt in the governmental activities decrease net assets.	(56,194,036)
\$16,6 as inc finan	ent year capital outlays of \$57,364,040 and long-term debt principal payments of 551,860 are expenditures in the fund financial statements, but they should be shown creases in capital assets and reductions in long-term debt in the government-wide cial statements. The net effect of including the current year capital outlays and principal payments is to increase net assets.	74,015,900
stater	ued interest payable on long-term debt is not reflected on the fund financial ments, but is shown on the government-wide financial statements. The effect of ing accrued interest payable is to decrease net assets.	(6,921,801)
finan	eted interest on capital appreciation bonds has not been included in the fund cial statements. The effect of showing accreted interest on capital appreciation is to decrease net assets.	(2,570,629)
	current year depreciation expense increases accumulated depreciation. The net tof the current year's depreciation is to decrease net assets.	(10,774,577)
modi recog reclas recog	ous other reclassifications and eliminations are necessary to convert from the fied accrual basis of accounting to accrual basis of accounting. These include enizing deferred revenue as revenue, eliminating interfund transactions, satisfying the proceeds of bond sales as an increase in bonds payable, and enizing the liabilities associated with maturing long-term debt and interest. The net tof these reclassifications and recognitions is to decrease net assets.	(1,567,583)
19 Net A	Assets of Governmental Activities	\$ 82,487,036

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

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EXHIBIT C-4

MCKINNEY INDEPENDENT SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF NET ASSETS FIDUCIARY FUNDS JUNE 30, 2007

	Private Purpose Trust Funds	Agency Fund
ASSETS	14,866	176,38

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF CHANGES IN NET ASSETS FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Funds	
DDITIONS:		
Local and Intermediate Sources	\$ 863	
Total Additions	863	
Change in Net Assets	863	
Total Net Assets - July 1 (Beginning)	14,003	
Total Net Assets - June 30 (Ending)	\$ 14,866	

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgements are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within sixty days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of <u>economic</u> resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated wets anio0od, gra Distributeties

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

5. Vacation and Sick Leave

Vacations are allowed to be accumulated but do not vest. Therefore, no liability has been accrued in the accompanying basic financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying basic financial statements.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. As of June 30, 2007, Reserved Fund Balance includes \$532,950 for inventories and \$382,016 for prepaid items in the General Fund. Debt Service Fund reserves total \$15,119,440 for retirement of funded indebtedness as of June 30, 2007. A total of \$18,662,296 has been designated for authorized construction programs in the Capital Projects Fund. The Special Revenue Fund reserves total \$783,377 for Food Service. Unreserved Designated Fund Balance includes \$1,059,486 for capital acquisition of operating software in the General Fund.

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by T.E.A. in the *Financial Accountability System Resources Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

10. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATE-MENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this \$(1,567,583) adjustment are as follows:

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	\$ 3,324,812
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>1,904,525</u>
Long-term debt:	5,229,337
Premium and issuance costs on bonds	(8,022,969)
Deferred loss on refunding bonds	1,402,969 (6,620,000)
Capital assets:	
Disposal of capital assets	(176,920)
Net adjustment to decrease fund balance - total governmental	

\$ (<u>1,567,583</u>)

funds to arrive at net assets - governmental activities

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

- 3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was properly amended throughout the year by the Board of Trustees.
- 4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

June 30, 2007 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund \$ 783,377

Nonappropriated budget funds \$ 2,267,989

All Special Revenue Funds \$ 3,051,366

B. Encumbrance Accounting

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment or Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at year end.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2007, the carrying amount of the District's cash, savings, and time deposits was \$(644,139). The bank balance was \$786,614. The District's combined deposits at June 30, 2007 and during the year ended June 30, 2007 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. **Deposits and Investments** (continued)

- b. Custodial Credit Risk Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfoliotoless than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2007, were as follows:

 Investment type:
 Fair Value

 U. S. Government securities
 \$ 42,830,969

 TexStar investment pool
 30,084,252

 State Treasurer's investment pool
 24,286,882

 Total
 \$ 97,202,103

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 4 <u>DETAILED NOTES ON ALL FUNDS</u> (continued)

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2006, upon which the levy for the 2006-07 fiscal period was based, was \$7,549,633,686. The roll was subsequently decreased to a period end assessed value of \$7,545,435,125. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the period ended June 30, 2007, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.37 and \$0.471 per \$100 valuation, respectively, for the total of \$1.841 per \$100 valuation.

Total tax collections for the year ended June 30, 2007, were 100% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2007, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,920,580 and \$1,308,757 for the General and Debt Service Funds, respectively.

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2007, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Local <u>Governments</u>	State <u>Entitlements</u>	Federal <u>Grants</u>	Total
General Special revenue	\$ 138,477 ———	10,270,713 <u>425,781</u>	9,383 <u>1,518,125</u>	10,418,573
Total	\$ <u>138,477</u>	<u>10,696,494</u>	<u>1,527,508</u>	12,362,479

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Primary Government								
	Beginning			Ending					
	Balance	<u>Additions</u>	<u>Retirements</u>	Balance					
Government activities:									
Land	\$ 17,548,087	1,623,626	(173,040)	18,998,673					
Buildings and improvements	337,917,824	50,743,232		388,661,056					
Furniture and equipment	5,591,930	2,067,574	(17,242)	7,642,262					
Construction in progress	45,393,166	52,877,414	(<u>49,947,806</u>)	48,322,774					
Totals at historical cost	406,451,007	107,311,846	(50,138,088)	463,624,765					
Less accumulated depreciation for:									
Buildings and improvements	(55,964,214)	(10,166,482)		(66,130,696)					
Furniture and equipment	<u>(4,018,465</u>)	(608,095)	<u>13,362</u>	(4,613,198)					
Total accumulated depreciation	(59,982,679)	(10,774,577)	13,362	(70,743,894)					
Governmental activities capital assets, net	\$ <u>346,468,328</u>	96,537,269	(<u>50,124,726</u>)	<u>392,880,871</u>					

Depreciation expense was charged to governmental functions as follows:

Instruction	8,136,912
Instructional resources and media	235,636
School leadership	135,945
Food services	664,165
Extracurricular activities	1,029,378
General administration	47,077
Plant maintenance and operations	167,641
Security and monitoring services	1,543
Data processing services	356,280

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

At June 30, 2007, the District had several projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

			Costs	
	Scheduled		Incurred	
	Completion	Contract	Through	Amount
Project Name	<u>Date</u>	Amount	06/30/07	Retained
Lawson ES	06/10	15,500,000	2,458,546	
Boyd HS Phase 1	08/07	7,448,224	6,904,637	324,294
Boyd HS Phase 2	06/08	32,840,320	12,212,559	512,857
McGowen ES	08/07	11,478,874	11,319,022	543,322
Press ES	08/07	14,900,000	10,535,080	624,884
Cockrill MS	08/08	26,493,051	4,892,930	201,694

F. Loans Payable

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 4 <u>DETAILED NOTES ON ALL FUNDS</u> (continued)

G. Bonds Payable

Bonds payable activity for the year ended June 30, 2007, was as follows:

	Interest	Amounts					
	Rate	Original	Beginning			Ending	Due Within
Governmental Activities	<u>Payable</u>	Issue	Balance	<u>Additions</u>	Reductions	Balance	One Year
Bonded Indebtedness:							
1987 Refunding	9.00 %	\$ 12,497,921	140,312		(56,860)	83,452	46,229
1995 School Bldg.	4.02	8,500,000	850,000			850,000	
1997 School Bldg.	4.96	15,850,000	750,000		(750,000)		
1998 School Bldg.	4.53	21,675,000	5,840,000		(1,045,000)	4,795,000	1,100,000
1999 Refunding	4.70	5,074,996	3,605,000		(350,000)	3,255,000	890,000
1999 School Bldg.	5.25	52,075,000	10,245,000		(2,360,000)	7,885,000	2,490,000
2000 School Bldg.	5.52	65,000,000	17,410,000		(2,475,000)	14,935,000	2,630,000
2001 School Bldg.	5.01	65,000,000	54,890,000		(2,520,000)	52,370,000	2,650,000
2002 School Bldg.	4.54	50,000,000	43,730,000		(1,830,000)	41,900,000	1,920,000
2003 Refunding	4.23	46,075,000	38,075,000		(2,665,000)	35,410,000	2,220,000
2004 Sch. Bldg. & Ref.	4.97	42,885,000	40,770,000		(1,385,000)	39,385,000	1,405,000
2004 Refunding	4.57	10,395,000	10,345,000		(50,000)	10,295,000	840,000
2005 Refunding	5.17	77,905,000	77,905,000			77,905,000	
2005 School Bldg.	4.41	30,630,000	27,780,000		(665,000)	27,115,000	695,000
2006 School Bldg.	4.50 %	67,450,000	67,450,000			67,450,000	1,640,000
Total bonded indebtedness			399,785,312		(16,151,860)	383,633,452	18,526,229
Accreted interest			3,416,783	<u>161,986</u>	(1,008,140)	2,570,629	893,771
Total bonds payable		\$	403,202,095	<u>161,986</u>	17,160,000	386,204,081	19,420,000

General obligation bonds consist of 1995, 1998 - 2002, and 2004-2006 School Building Bonds bearing interest at 4.00 - 6.00% per annum and 1987, 1999 and 2003-2005 Refunding Bonds bearing interest at 3.00 - 9.00% per annum. Interest expense for the year on all bonded indebtedness was \$19,238,597.

Debt service requirements for the general obligation bonds are as follows:

Year Ending	<u>Principal</u>	Interest	Total <u>Requirements</u>
2008	\$ 18,526,229	19,351,906	37,878,135
2009	19,302,223	18,430,405	37,732,628
2010	20,075,000	16,754,660	36,829,660
2011	20,290,000	15,860,791	36,150,791
2012	21,245,000	14,927,456	36,172,456
2013-2017	117,660,000	58,814,105	176,474,105
2018-2022	100,765,000	29,092,598	129,857,598
2023-2027	38,115,000	12,229,075	50,344,075
2028-2031	27,655,000	3,112,419	

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

$NOTE \ 5 \quad \underline{OTHER \ INFORMATION} \ (\texttt{continued})$

C. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

Special Debt Capital Private
General Revenue Service Projects Purpose

Revenue Service

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 5 OTHER INFORMATION (continued)

- F. Pension Plan Obligations (continued)
 - 2. Teacher/Employee Recruitment and Retention Program Trust (continued)

Notes to the Financial Statements at and for the Year Ended June 30, 2007 -continued-

NOTE 5 OTHER INFORMATION (continued)

H. Subsequent Event

On August 28, 2007, the District will sell \$52,695,000 of bonds for the purpose of constructing new school buildings.

REQUIRED SUPPLEMENTAL INFORMATION

COMBINING STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

Control			

	212		224		225		226		240		242		244		255				
ESE	EA Title I	ID	EA - Part B	ID	EA - Part B	ID	EA - Part B		National		Summer	V	ocational Ed	ESEA II,A					
]	Part C		Formula		Preschool	Di	iscretionary	Br	eakfast and		Feeding		Feeding		Feeding		Basic	Tr	aining and
N	/ligrant							Lui	ch Program Program		Program Grant		R	Recruiting					
\$	(6,642) 10,957	\$	(263,513) 591,814	\$	(41,042) 42.244	\$	(164,577) 164,577	\$	965,566 42,503	\$	-	\$	(32,126) 33,026	\$	(38,012) 94,719				
	-		7,602	_	-		-	_	- 	_	-		500		-				
	4,315	_	335,903	_	1,202	_		_	1,008,069	_	-	. <u> </u>	1,400						

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

		JUINE 30, 20	<i>J</i> 0 <i>I</i>						
			262		263		269		272
Data		7	Γitle II, D	T	itle III, A	Ti	tle V, Pt.A	N	Medicaid
Contro	ol	I	Education	Eng	glish Lang.	I	nnovative	Ad	min. Claim
Codes		Т	echnology	A	equisition]	Programs		MAC
	ASSETS								
1110	Cash and Cash Equivalents	\$	(505)	\$	(24,490)	\$	(6,488)	\$	(7,179)
1240	Due from Other Governments		505		28,418		6,488		7,179
1410	Deferred Expenditures		-		8,445		-		-
1000	Total Assets	\$	-	\$	12,373	\$	-	\$	-
	LIABILITIES AND FUND BALANCES Liabilities:								
2160	Accrued Wages Payable	\$	-	\$	12,373	\$	-	\$	-
2200	Accrued Expenditures		-		-		-		-
2300	Deferred Revenues		-		-		-		-
2000	Total Liabilities		-		12,373		-		-
	Fund Balances:								
	Reserved For:								
3450	Food Service		-		-		-		-
	Unreserved and Undesignated:								
3610	Reported in Special Revenue Funds		-		-		-		-
3000	Total Fund Balances		-		-		-		-
4000	Total Liabilities and Fund Balances	\$		\$	12,373	\$		\$	-

289 Other Federal		N	392 Ion-Ed.	Dr	394 egnancy,	Λ	397 dvanced	In	399 vestment		404 Student	Ra	409 sic Skills	Тес	411 chnology	
S	Special	Community		Edu	Education and Parenting		Placement Incentives		Capital		Success Initiative		Program High School		Allotment	
Reve	nue Funds	Base	d Support	P	arenting	In	centives		Funds	1	nitiative	Hış	gh School			
\$	11,068	\$	(10,845)	\$	(4,274)	\$	23,225	\$	(17,873)	\$	(71,479)	\$	-	\$	62,170	
	-		10,845		4,274		-		17,873		71,479		-		4,080	
	-		-		-		4,391		-				-			
\$	11,068	\$	-	\$	-	\$	27,616	\$	-	\$	-	\$	-	\$	66,250	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	_	\$	-	
	-		-		-		_		-		-		_		-	
	11,068		-		-		27,616		-		-		-		-	
	11,068		-		-		27,616		-		_		-		-	
	-		-		-		-		-		-		-		-	
	-		-		-		-		-				-		66,250	
	-		-		-		-		-		-		-		66,250	
\$	11,068	\$	-	\$	-	\$	27,616	\$	-	\$	-	\$	-	\$	66,250	

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

Data Contro Codes		418 Employ Healt Insurar		423 HB-1 High School Allotment		428 Excellence Award Program		429 Other State Special Revenue Funds	
	ASSETS								
1110	Cash and Cash Equivalents	\$	-	\$	587,218	\$	(5,067)	\$	-
1240	Due from Other Governments		-		312,163		5,067		-
1410	Deferred Expenditures		-		-		-		-
1000	Total Assets	\$	-	\$	899,381	\$	-	\$	-
	LIABILITIES AND FUND BALANCES Liabilities:								
2160	Accrued Wages Payable	\$	-	\$	-	\$	-	\$	-
2200	Accrued Expenditures		-		-		-		-
2300	Deferred Revenues		-		-		-		-
2000	Total Liabilities		-		-		-		-
	Fund Balances: Reserved For:								
3450	Food Service		-		-		-		-
3610	Unreserved and Undesignated: Reported in Special Revenue Funds		-		899,381		-		-
3000	Total Fund Balances		-	_	899,381		-		-
4000	Total Liabilities and Fund Balances	\$	-	\$	899,381	\$		\$	

461		480		Total					
Campus		r School		Ionmajor					
Activity		y Care	Go	vernmental					
Funds	Pro	ogram		Funds					
1,368,676	\$	17,709	\$	2,061,356					
-		-		1,943,906					
452		3,630		25,020					
\$ 1,369,128	\$	21,339	\$	4,030,282					
-	\$	-	\$						
18,569		-		250,213					
48,201		21,339		108,224					
66,770		21,339	_	978,916					
-		-		783,377					
1,302,358		-1 rg	; 72 -	5 542677,989 0.	000 Tc -0.030 Tw 1	128 -509 Td(-)TjETq 1 1 1 r2	.45 -6BT 1 18 69,	re S 77 -582 m

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MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

Data		ECE	204 A Title IV		205 Head		206 ESEA	Б	211 SEA I, A
Contro	ol		e & Drug				e III - B		
Codes			e & Drug e Schools		Start		e III - Б omeless		nproving sic Program
	DEVENIUM	1100	Schools			110	Miciess	Das	
5700	REVENUES:	¢		¢		¢		¢.	
5700 5800	Total Local and Intermediate Sources	\$	-	\$	-	\$	-	\$	-
5900	State Program Revenues Federal Program Revenues		66,694		347,716		117,943		1,451,359
5020	· ·		66,694	_	347,716		117,943	_	1,451,359
3020	Total Revenues			_	347,710		117,545	_	
	EXPENDITURES:								
	Current:						444050		
0011	Instruction		-		347,716		114,050		1,449,186
0012	Instructional Resources and Media Services		-		-		-		-
0013	Curriculum and Instructional Staff Development		-		-		-		- 2.152
0021	Instructional Leadership		66,694		-		3,893		2,173
0023	School Leadership		-		-		-		-
0031	Guidance, Counseling and Evaluation Services		-		-		-		-
0033	Health Services		-		-		-		-
0034	Student (Pupil) Transportation		-		-		-		-
0035	Food Services		-		-		-		-
0036	Cocurricular/Extracurricular Activities		-		-		-		-
0041	General Administration		-		-		-		-
0051	Facilities Maintenance and Operations		-		-		-		-
0052	Security and Monitoring Services		-		-		-		-
0053	Data Processing Services		-		-		-		-
0061	Community Services		-		-		-		-
Iı	ntergovernmental:								
0093	Payments to Fiscal Agent/Member Districts of				-		-		-
6030	Total Expenditures		66,694		347,716		117,943		1,451,359
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures		-		-		-	_	-
	OTHER FINANCING SOURCES (USES):								
7915	Transfers In		_		_		_		_
8911	Transfers Out (Use)		_		_		_		_
7080	Total Other Financing Sources (Uses)			_				_	
7080	Total Other Philaheling Sources (Uses)			_				_	
1200	Net Change in Fund Balance		-		-		-		-
0100	Fund Balance - July 1 (Beginning)		-	_	-				-
3000	Fund Balance - June 30 (Ending)	\$	_	\$	_	\$	_	\$	_
3000	Fund Balance - June 30 (Ending)	\$	-	\$	-	\$	-	\$	

	212		224		225		226		240	242		244		255
ESE	A Title I	IDE	A - Part B	IDE.	A - Part B	IDE	A - Part B		National	Summer	Vo	cational Ed	ES	SEA II,A
P	art C	I	Formula	Pı	reschool	Dis	cretionary	Br	eakfast and	Feeding		Basic	Tra	ining and
M	igrant							Lui	nch Program	Program		Grant	R	ecruiting
\$	-	\$	-	\$	-	\$	-	\$	4,282,690	\$ -	\$	-	\$	-
	-		-		-		-		38,410	-		-		-
	15,620		2,615,628		60,313		171,281		2,582,084	-				459,846
	15,620		2,615,628		60,313									

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

262	263	269	272	
Title II, D	Title III, A	Title V, Pt.A	Medicaid	
Education	English Lang.	Innovative	Admin. Claim	
Technology	Acquisition	Programs	MAC	

REVENUES:

411 Technology Allotment	409 Basic Skills Program High School	404 Student Success Initiative	399 Investment Capital Funds	397 Advanced Placement Incentives	394 Pregnancy, Education and Parenting	392 Non-Ed. Community Based Support	289 Other Federal Special Revenue Funds
538,300	- 79,970 -	\$ - 209,797	\$ - 90,566	\$ - 46,682	\$ - 51,520	\$ - 46,647	\$ - - 251,660
538,300	79,970	209,797	90,566	46,682	51,520	46,647	251,660
795,640	39,556	209,797	23,104	46,682	51,065	46,647	199,235
-	-	-	63,397	-	- 455	-	13,241
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	_
-	40,414	-	-	-	-	-	11,865
-	-	-	- 457	-	-	-	25,000
-	-	-	437	-	-	-	23,000
_	_	-	-	-	-	_	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,608	-	-	-	-
-	-	-	_	-	-	_	2,319
795,640	79,970	209,797	90,566	46,682	51,520	46,647	251,660
(257,340)		-	-		-	-	
_	_	_	_	_	_	_	_
-	-	-	_	-	-	_	-
-	-						
(257,340)	-	-	-	-	-	-	-
323,590							
66,250							

MCKINNEY INDEPENDENT SCHOOL DISTRICT $COMBINING\,STATEMENT\,OF\,REVENUES, EXPENDITURES\,AND\,CHANGES\,IN$ FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

418	423	429428	429
Employee	HB-1	Excellence	Other State
Health	High School	Award	Special
Insurance	Allotment	Program	Revenue Funds

	461		480		Total
	Campus	A	fter School]	Nonmajor
	Activity	I	Day Care	Go	overnmental
	Funds		Program		Funds
_					
\$	2,860,140	\$	2,610,248	\$	9,753,078
·	-	·	-		2,530,870
	-		-		8,470,513
	2,860,140		2,610,248		20,754,461
	1,333,417		-		8,258,596
	303,188		-		307,551
	16,528		-		142,500
	2,143		-		192,912
	670,465		-		677,294
	-		-		303,889
	-		-		9,712
	-		-		28,107
	-		-		6,505,212
	206,783		-		207,362
	104,213		-		44 108,604
	61,889		-		62,151
	01,007		_		212,688
	96,314		2,510,530		2,611,361
	70,314		2,510,550		
			-		2,319
_	2,794,940	_	2,510,530	_	19,630,302
_	65,200		99,718	_	1,124,159
	_		_		103,159
	_		(100,528)		(123,121)
_		_	(100,528)	_	(19,962)
_		_		_	(-2,202)
	65,200		(810)		1,104,197
_	1,237,158	_	810	_	1,947,169
\$	1,302,358	\$		\$	3,051,366

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING STATEMENT OF NET ASSETS PRIVATE PURPOSE TRUST FUNDS

				\sim
- 11	NH.	3()	200	1/

		828	829	9	7	Total	
	P	rivate	Priva	ate	P	rivate	
	Pt	Purpose		Purpose		ırpose	
	Trust Fund Trust Fund				Trust Funds		
ASSETS							
Current Assets:							
Cash and Cash Equivalents	\$	14,297	\$	569	\$	14,866	
Total Assets		14,297		569		14,866	
NET ASSETS							
Investments in Capital Assets, Net of Debt		10,000		-		10,000	
Unrestricted Net Assets		4,297		569		4,866	
Total Net Assets		14,297					

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REQUIRED T.E.A. SCHEDULES

MCKINNEY INDEPENDENT SCHOOL DISTRICT SCHEDULE OF DELINQUENT TAXES RECEIVABLE FISCAL YEAR ENDED JUNE 30, 2007

Last 10 Years	Tax Ra	Value for School	
	Maintenance	Debt Service	Tax Purposes

(10) Beginning Balance 7/1/2006	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2007
\$ 202,164 \$	-	\$ 14,185	\$ 4,183	\$ (19,771)	\$ 164,025
85,078	-	2,351	599	(51,755)	30,373
94,440	-	3,201	684	(53,592)	36,963
119,013	-	9,372	2,055	(47,286)	60,300
171,726	-	22,466	6,076	(23,017)	120,167
300,282	-	62,555	20,496	(12,485)	204,746
298,161	-	45,662	14,612	(13,127)	224,760
784,131	-	222,643	74,215	(31,502)	455,771
4,047,057	-	2,547,455	849,156	15,876	666,322
-	137,299,482	99,564,650	34,229,894	(77,296)	3,427,642
\$ 6,102,052 \$	137,299,482	\$ 102,494,540	\$ 35,201,970	\$ (313,955)	\$ 5,391,069

MCKINNEY INDEPENDENT SCHOOL DISTRICT FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET FOR THE YEAR ENDED JUNE 30, 2007

UNAUDITED

Total General Fund Balance as of 6/30/07 (Exhibit C-1 object 3000 for the General Fund Only)

\$ 49,666,660

- Total Reserved Fund Balance (from Exhibit C-1 total of object 3400s for the General Fund Only)
- \$
- Total Designated Fund Balance (from Exhibit C-1 total of object 3500s for the General Fund Only)
- 1,059,486

Estimated amount needed to cover fall cash flow deficits in the Generm/3390 Tzall cash flow deficits in the

MCKINNEY INDEPENDENT SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE CHILD NUTRITION PROGRAM FOR THE YEAR ENDED JUNE 30, 2007

Data Control	Budgeted	Amounts	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or
Codes	Original	Final	_	(Negative)

MCKINNEY INDEPENDENT SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2007

Data Control	Budgeted	Budgeted Amounts		Variance With Final Budget Positive or	
Codes	Original	Final		(Negative)	
REVENUES: 5700 Total Local and Intermediate Sources 5800 State Program Revenues	\$ 35,592,265 1,018,241		\$ 36,335,710 1,198,186	\$ 743,445 179,945	
5020 Total Revenues EXPENDITURES: Debt Service:	36,610,506	36,610,506	37,533,896	923,390	
Deut Service.	16,151,860	16,151,860	16,151,860	-	

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS P. O. BOX 148 FRISCO, TEXAS 75034 972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA RANDY HOWARD, CPA R. WAYNE NABORS, CPA ROBIN J. TURNBULL, CPA MEMBERS

AMERICAN INSTITUTE of CPAS
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees

McKinney Independent School District

1 Duvall Street

McKinney, Texas 75069

Members of the Board:

We have audited the basic financial statements of McKinney Independent School District, McKinney,

Board of School Trustees Page Two

This report is intended for the information of th

Board of School Trustees Page Two

Internal Control Over Compliance

The administration of McKinney Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McKinney Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the District's trustees, audit committee, administration, the Texas Education Agency, and federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

/s/ Pingleton, Howard & Company, P.C.

September 27, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

Program	Description
Program	Description
-	-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings For the Year Ended June 30, 2007

	Status of Prior Year's Finding/			
Program	Noncompliance			
- NONE -				

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan For the Year Ended June 30, 2007

Program	Corrective Action Plan			
- NONE -				

Contact person: Mr. Steve Fortenberry Chief Financial Officer

MCKINNEY INDEPENDENT SCHOOL DISTRICT SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2007

(1)		(3)	(3)	
FEDERAL GRANTOR/	Federal	Pass-Through		
PASS-THROUGH GRANTOR/		Entity Identifying	Federal	
PROGRAM or CLUSTER TITLE	Number	Number	Expenditures	
U.S. DEPARTMENT OF EDUCATION				
Passed Through Collin County Community College				
Vocational Ed. Tech Prep	84.243		\$	104,820
Total Passed Through Collin County Community College			\$	104,820
Passed Through Region X ESC				
ESEA, Title I, Part C - Migratory Children	84.011		\$	15,619
Total Passed Through Region X ESC			\$	15,619
Passed Through State Department of Education				
ESEA, Title I, Part A - Improving Basic Programs	84.010A	7610101043907	\$	1,451,359
IDEA - Part B, Formula	84.027	7660001043907		2,615,628
IDEA - Part B, Discretionary	84.00277	7660006043907		171,281
Total CFDA Number 84.027				2,786,909