

MCKINNEY

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Financial Report
For the Year Ended June 30, 2008

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Financial Report
For the Year Ended June 30, 2008
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CERTIFICATE OF BOARD

<u>McKinney Independent School District</u>	<u>Collin</u>	<u>043-907</u>
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (X) approved () disapproved for the year ended June 30, 2008, at a meeting of the Board of School Trustees of such school district on the 20th day of October

FINANCIAL SECTION

Board of Trustees
Page Two

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McKinney Independent School District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. Please read in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements (Exhibits C-1 and C-3) provide more detailed information about the District's most significant funds, not the District as a whole. Funds are a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are reported in governmental funds. The funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (Exhibits C-2 and C-4)
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets, Exhibits D-1 and D-2 respectively. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Table A-2
Changes in Net Assets

	Governmental Activities		Percentage Change
	2008	2007	
Revenues			
<u>Program Revenues</u>			
Charges for services	9,839,186	9,136,270	7.69%
Operating grants & contributions	16,888,601	15,317,211	10.26%
<u>General Revenues</u>			
Property taxes	129,011,772	137,006,857	-5.84%
State aid - formula	60,753,344	40,777,551	48.99%
Investment earnings	4,933,696	7,173,477	-31.22%
Grants & contributions not restricted	265,868	956,937	-72.22%
Other	5,359,122	4,357,291	22.99%
Total Revenues	227,051,589	214,725,594	5.74%
Expenses			
Instruction and instructional related	122,936,067	108,209,027	13.61%
Instructional leadership/school administration	13,982,140	12,536,283	11.53%
Guidance, social work, health, transportation	13,090,281	12,063,635	8.51%
Food services	7,891,817	7,280,247	8.40%
Extracurricular activities	6,617,398	6,453,308	2.54%
General administration	3,731,690	4,110,085	-9.21%
Plant maintenance & security	18,074,632	15,792,232	14.45%
Community services	3,238,449	2,751,554	17.70%
Data processing services	9,855,958	6,319,733	55.96%
Debt service	19,504,854	19,873,054	-1.85%
Contracted instructional services between public schools	395,090	108,584	263.86%
Other intergovernmental charges	793,139		
Total Expenses			

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 decreased as interest rates fell.
- Grants and other contributions decreased from FY 07. Prior year amounts included the resolution of several claims from School Health Related Services.
- 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.

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 *governmental* activities this period was \$220,111,515.
-

exceeded budget by \$1,559,951 due primarily to property tax collections exceeding projections by \$2,483,337. Total expenditures for the fiscal year were \$6,149,712 under budget.

At the end of fiscal year 2007, the ending general fund balance of \$49.7 million represented 30.2% of the 2007-2008 final operating budget. At fiscal year-end 2008, the ending fund balance of \$53.2 million represented 30.6% of the 2008-2009 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2008, the District had invested \$435,262,831 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 Cockrill Middle School 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

	<u>2008</u>	<u>2007</u>	<u>Total % Change</u>
Land	\$ 23,036,441	\$ 18,998,673	21.25%
Buildings & improvements	420,218,239	388,661,056	8.12%
Furniture & equipment	8,676,315	7,642,262	13.53%
Construction in progress	64,928,630	48,322,774	34.36%
Totals at historical cost	<u>\$ 516,859,625</u>	<u>\$ 463,624,765</u>	11.48%
Total accumulated depreciation	81,596,794	70,743,894	15.34%
Net capital assets	<u>\$ 435,262,831</u>	<u>\$ 392,880,871</u>	10.79%

At the 2008 year-end, the District had \$417,725,000 in bonds and notes outstanding as compared to \$388,581,133 at 2007 year-end. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt

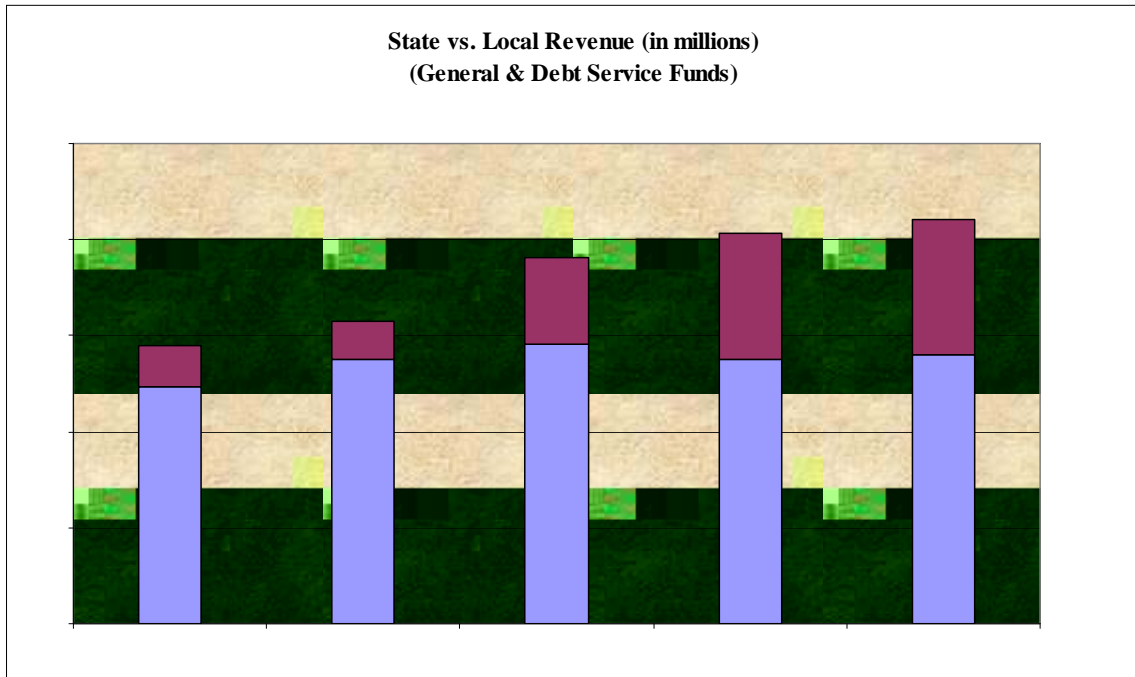
	<u>2008</u>	<u>2007</u>	<u>Total % Change</u>
Loans payable	\$ -	\$ 2,377,052	-100.00%
Bonds payable	417,725,000	386,204,081	8.16%
Total bonds & notes payable	<u>\$ 417,725,000</u>	<u>\$ 388,581,133</u>	7.50%

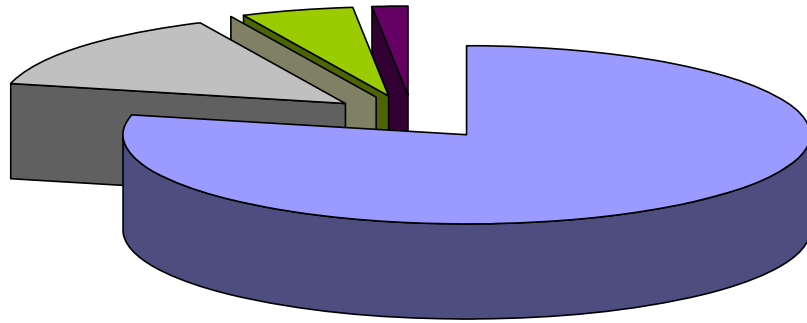
ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Net taxable appraised value used for the 2009 budget preparation has increased approximately \$565 million, which represents an increase of 6.7% from 2008 values. New construction for 2009 amounts to approximately \$303 million, with a net of \$34 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on fall enrollment) in the 2007-08 fiscal year of \$7,330 to the budgeted 2008-09 spending per pupil of \$7,374 represents a budgeted increase in spending per pupil of 0.6%.
- The District’s 2009 refined average daily attendance is expected to be approximately 22,011 which represents a 4.2% increase over 2008.

These indicators were taken into account when adopting the general fund budget for 2009. Revenues available for appropriation in the general fund budget are \$166,411,494, an increase of 3.8% over the final 2008 budget of \$160,279,385. The increase in available revenue is generated primarily by an increase in state aid for enrollment growth and an anticipated increase in tax collections.

The District has maintained a tax rate of \$1.517 for 2009. As a result, local revenue from property tax collections will grow approximately 6.6%. This will be offset by a decline in interest revenue due to lower interest rates. The net increase in estimated local revenue is \$3.1 million. In addition, state funding will increase approximately \$2.9 million due to increased enrollment. The following chart demonstrates the relationship of state and local funding for the past four years along with estimated amounts for 2008-09.





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:

BASIC FINANCIAL STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 97,632,538
1220 Property Taxes Receivable (Delinquent)	4,932,321
1230 Allowance for Uncollectible Taxes	(147,970)
Due from Other Governments	8,439,657
Accrued Interest	58,221
Other Receivables, net	912,649
Inventories	508,245
Deferred Expenses	595,542
Capitalized Bond and Other Debt Issuance Costs	487,244
Capital Assets:	
Land	23,036,441
Buildings, Net	343,872,500
Furniture and Equipment, Net	3,425,260
Construction in Progress	64,928,630
Total Assets	

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Primary Gov.
Governmental
Activities

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	

Primary Government:

11 Instruction	\$ 116,359,137	\$ 900,298	\$ 11,588,288	\$ (103,870,551)
12 Instructional Resources and Media Services	4,664,122	-	98,738	(4,565,384)
13 Curriculum and Instructional Staff Development	1,912,808	-	553,619	(1,359,189)
21 Instructional Leadership	3,554,641	-	281,875	(3,272,766)
70,00 TTjETq 1 1 1 rg 366 -334 75 -16 re f Q BT 1 0 0 1 0 0 Tm/F1 12.000 Tf 0 Ts 0 g 6018-3487Td(4,65 TTjETq 1 1 1 rg 366 -337 75 -16 re f Q BT 1 0 0 1 0 0	5,055,200	-	169,422	(4,885,778)
\$,832,20				(15,828,00)

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS				
1110	Cash and Cash Equivalents	\$ 62,159,747	\$ 17,352,317	\$ 15,159,932
1220	Property Taxes - Delinquent	3,536,029	1,396,292	-
1230	Allowance for Uncollectible Taxes (Credit)	(106,081)	(41,889)	-
1240	Due from Other Governments	6,605,352	-	-
1250	Accrued Interest	40,961	17,260	-
1290	Other Receivables	813,276	99,373	-
1300	Inventories	508,245	-	-
1410	Deferred Expenditures	494,002	-	10,000
1000	Total Assets	<u>\$ 74,051,531</u>	<u>\$ 18,823,353</u>	<u>\$ 15,169,932</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2160	Accrued Wages Payable	\$ 15,678,173	\$ -	\$ -
2180	Due to Other Governments	254,254	-	51,095
2200	Accrued Expenditures	1,317,387	-	7,783,687
2300	Deferred Revenues	3,605,309	1,775,219	-
2000	Total Liabilities	<u>\$ 20,855,123</u>	<u>\$ 1,775,219</u>	<u>\$ 7,834,782</u>

3410	Investments in Inventory	\$ 508,245	\$ -	\$6/F11 rg 73 -596 Td(3420)
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3420	000 Tw 100.2wEO a 1.7 O BT 1.0 f06 Td(3430)TiETa 1.173a 18 -564 75 -16.8 Utilities
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Other Funds	Total Governmental Funds
\$ 2,960,542	\$ 97,632,538
-	4,932,321
-	(147,970)
1,834,305	8,439,657
-	58,221
-	912,649
-	508,245
91,540	595,542
<u>\$ 4,886,387</u>	<u>\$ 112,931,203</u>
\$ 790,941	\$ 16,469,114
16,025	321,374
36,458	9,137,532
52,387	5,432,915
<u>\$ 895,811</u>	<u>\$ 31,360,935</u>
\$ -	\$ 508,245
-	17,048,134
-	494,002
1,017,859	1,017,859
-	7,335,150
-	206,094
-	90,899
-	51,897,168
2,972,717	2,972,717
<u>\$ 3,990,576</u>	<u>\$ 81,570,268</u>
<u>\$ 4,886,387</u>	<u>\$ 112,931,203</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	81,570,268
<p>1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$463,624,765 and the accumulated depreciation was \$70,743,894. In addition, long-term liabilities, including bonds payable of \$383,633,452 and loans payable of \$2,377,052, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.</p>		6,870,367
<p>2 Current year capital outlays of \$53,363,672 and long-term debt principal payments of \$21,818,281 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.</p>		75,181,953
<p>3 Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net assets.</p>		(7,500,795)
<p>4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements, but is included on the government-wide financial statements. The effect of showing accreted interest is to decrease net assets.</p>		(837,777)
<p>5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		(10,981,712)
<p>6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.</p>		(54,875,194)
		89,427,110

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Control

Other Funds	Total Governmental Funds
\$ 10,709,210	\$ 149,579,770
2,645,686	68,512,042
9,129,903	9,395,771
<u>22,484,799</u>	<u>227,487,583</u>
8,968,902	104,929,924
263,653	3,188,586
445,964	1,912,808
166,331	3,529,883
758,285	10,290,295
266,132	5,249,997
-	270,000
23,158	1,721,111
2,613	5,832,742
7,138,984	7,138,984
190,052	5,410,355
1,120	3,529,489
59,911	16,716,454
56,205	571,941
41,900	5,046,526
3,062,379	3,244,219
-	21,818,281
-	20,557,627
-	184,906
-	63,217,078
-	395,090
-	793,139
<u>21,445,589</u>	<u>285,549,435</u>
<u>1,039,210</u>	<u>(58,061,852)</u>
-	52,695,000
-	8,991
-	100,000
-	428,367
<u>(100,000)</u>	<u>(100,000)</u>
<u>(100,000)</u>	<u>53,132,358</u>
939,210	(4,929,494)
<u>3,051,366</u>	<u>86,499,762</u>
<u>\$ 3,990,576</u>	<u>\$ 81,570,268</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
<hr/>		
ASSETS		
Cash and Cash Equivalents	\$ 15,572	\$ 215,436
Total Assets	<u>15,572</u>	<u>\$ 215,436</u>
LIABILITIES		
Due to Student Groups	-	\$ 215,416
Accrued Expenses	-	20
Total Liabilities	<u>-</u>	<u>20</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 706

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McKinney Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-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 economic 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 with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Due From (To) Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded in all affected funds in the period in which transactions are executed in the normal course of operations.

3. Inventories and Prepaid Items

The consumption method is used to account for inventories of food products and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reco

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (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 convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(53,484,530) adjustment are as follows:

Taxes:

To move the current year uncollected tax levy to revenue	\$ 2,660,481
To remove the prior year tax collection from current year revenue	<u>(3,105,466)</u>
	<u>(444,985)</u>

Long-term debt:

Issuance of bonds payable	(52,695,000)
Current year amortization	83,822
Current year premium on bonds	<u>(428,367)</u>
	<u>(53,039,545)</u>

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities	\$ <u>(53,484,530)</u>
--	------------------------

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit E-1 and the other two reports are in Exhibit G-4 and G-5.

The following procedures were followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal period beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.

MCKINNEY INDEPENDENT SCHOOL DISTRICT

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-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 American National Bank of Texas, 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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (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, 2007, upon which the levy for the 2007-08 fiscal period was based, was \$8,483,216,022. The roll was subsequently increased to a period end assessed value of \$8,576,963,100. 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, 2008, to finance General Fund operations

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Government activities:				
Land	\$ 18,998,673	4,037,768		23,036,441
Buildings and improvements	388,661,056	31,557,183		420,218,239
Furniture and equipment	7,642,262	1,162,865	(128,812)	8,676,315
Construction in progress	<u>48,322,774</u>	<u>47,629,318</u>	<u>(31,023,462)</u>	<u>64,928,630</u>
Totals at historical cost	<u>463,624,765</u>	<u>84,387,134</u>	<u>(31,152,274)</u>	<u>516,859,625</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,130,696)	(10,215,043)		(76,345,739)
Furniture and equipment	<u>(4,613,198)</u>	<u>(766,669)</u>	128,812	

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

At June 30, 2008, 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:

<u>Project Name</u>	<u>Scheduled Completion Date</u>	<u>Contract Amount</u>	<u>Costs Incurred Through 06/30/08</u>	<u>Amount Retained</u>
Lawson Child Center	06/10	15,500,000	612,850	
Boyd HS Phase 2	08/08	32,840,320	31,293,647	1,465,477
Cockrill MS	08/08	26,493,051	25,592,548	1,228,827
Transportation Parking	09/08	1,327,730	898,909	40,284
McKinney H.S. Renovation	08/08	6,965,546	4,072,130	185,808

F. Loans Payable

Loans payable activity for the period ended June 30, 2008, was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending
------------------------------	------------------	-------------------	--------

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable

Bonds payable activity for the year ended June 30, 2008, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonded Indebtedness:							
1987 Refunding	9.00 %	\$ 12,497,921	83,452		(46,229)	37,223	37,223
1995 School Bldg.	4.02	8,500,000	850,000			850,000	
1998 School Bldg.	4.53	21,675,000	4,795,000		(1,100,000)	3,695,000	1,165,000
1999 Refunding	4.70	5,074,996	3,255,000		(890,000)	2,365,000	880,000
1999 School Bldg.	5.25	52,075,000	7,885,000		(2,490,000)	5,395,000	2,625,000
2000 School Bldg.	5.52	65,000,000	14,935,000		(2,630,000)	12,305,000	2,800,000
2001 School Bldg.	5.01	65,000,000	52,370,000		(2,650,000)	49,720,000	2,785,000
2002 School Bldg.	4.54	50,000,000	41,900,000		(1,920,000)	39,980,000	2,020,000
2003 Refunding	4.23	46,075,000	35,410,000		(2,220,000)	33,190,000	2,260,000
2004 Sch. Bldg. & Ref.	4.97	42,885,000	39,385,000		(1,405,000)	37,980,000	1,425,000
2004 Refunding	4.57	10,395,000	10,295,000		(840,000)	9,455,000	870,000
2005 Refunding	5.17	77,905,000	77,905,000			77,905,000	
2005 School Bldg.	4.41	30,630,000	27,115,000		(695,000)	26,420,000	730,000
2006 School Bldg.	4.50	67,450,000	67,450,000		(1,640,000)	65,810,000	1,705,000
2007 School Bldg.	4.65 %	52,695,000	<u>0</u>	<u>52,695,000</u>	<u>(915,000)</u>	<u>51,780,000</u>	<u>1,175,000</u>
Total bonded indebtedness			383,633,452	52,695,000	(19,441,229)	416,887,223	20,477,223
Bond Premium			8,548,337	428,367	(639,423)	8,337,281	639,423
Accreted interest			<u>2,570,629</u>	<u>107,419</u>	<u>(1,840,271)</u>	<u>837,777</u>	<u>837,777</u>
Total bonds payable			\$ <u>394,752,418</u>	<u>53,230,786</u>	<u>(21,920,923)</u>	<u>426,062,281</u>	<u>21,954,423</u>

General obligation bonds consist of 1995, 1998 - 2002, and 2004-2007 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 \$20,487,683.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 20,477,223	20,839,899	41,317,122
2010	21,310,000	19,114,216	40,424,216
2011	21,585,000	18,167,860	39,752,860
2012	22,605,000	17,179,488	39,784,488

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable (continued)

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restric-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 5 OTHER INFORMATION (continued)

D. Revenues from Local and Intermediate Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Private Purpose Fund	Total
Property taxes	\$ 88,931,194		40,521,787			129,452,981
Food sales		4,454,839				4,454,839
Investment income	3,016,194		607,364	1,310,138	706	4,934,402
Penalties, interest and other tax related income	934,712		368,035			1,302,747
Co-curricular student activities	585,932					585,932
Tuition and fees	900,299	3,126,801				4,027,100
Other	<u>1,455,740</u>	<u>3,127,570</u>		<u>239,165</u>		<u>4,822,475</u>
Total	<u>\$ 95,824,071</u>	<u>10,709,210</u>	<u>41,497,186</u>	<u>1,549,303</u>	<u>706</u>	<u>149,580,476</u>

E. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net tax revenue	\$ 3,429,949		1,354,403	4,784,352
State revenue			420,816	420,816
LEP		10,401		10,401
Deferred tuition	43,529			43,529
Athletics	1,500			1,500
Student activities			11,907	11,907
Club 360			1,635	1,635
Detachment revenue	130,331			130,331
Advanced placement initiatives		<u>28,444</u>		<u>28,444</u>
Total	<u>\$ 3,605,309</u>	<u>52,387</u>	<u>1,775,219</u>	<u>5,432,915</u>

F. Health Care Coverage

For the year ended June 30, 2008, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$250, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Health Care Coverage (continued)

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2007, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

G. Pension Plan Obligations

1. Teacher Retirement System of Texas

Plan Description - The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

paid additional state contributions for the years ended June 30, 2006, 2007 and 2008

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2008
-continued-

REQUIRED SUPPLEMENTAL INFORMATION

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 90,568,742	\$ 93,286,847	\$ 95,824,071	\$ 2,537,224
5800 State Program Revenues	71,811,404	66,867,538	65,749,397	(1,118,141)
5900 Federal Program Revenues	125,000	125,000	265,868	140,868
5020 Total Revenues	162,505,146	160,279,385	161,839,336	1,559,951
EXPENDITURES:				
Current:				
0011 Instruction	97,921,093	98,367,885	95,961,022	2,406,863
0012 Instructional Resources and Media Services	2,959,460	2,959,938	2,924,933	35,005
0013 Curriculum and Instructional Staff Development	1,739,437	1,715,359	1,466,844	248,515
0021 Instructional Leadership	3,408,388	3,374,897	3,363,552	11,345
0023 School Leadership	9,678,196	9,719,627	9,532,010	187,617
0031 Guidance, Counseling and Evaluation Services	5,053,975	5,080,877	4,983,865	97,012
0032 Social Work Services	277,000	276,750	270,000	6,750
0033 Health Services	1,743,254	1,769,259	1,697,953	71,306
0034 Student (Pupil) Transportation	6,630,064	6,658,516	5,830,129	828,387
0036 Extracurricular Activities	5,364,976	5,343,171	5,220,303	122,868
0041 General Administration	4,351,479	3,602,790	3,528,369	74,421
0051 Facilities Maintenance and Operations	18,041,437	18,079,215	16,656,543	1,422,672
0052 Security and Monitoring Services	725,086	736,537	515,736	220,801
0053 Data Processing Services	4,280,757	5,349,474	5,004,626	344,848
0061 Community Services	195,111	197,756	181,840	15,916
Debt Service:				
0072 Debt Service - Interest on Long Term Debt	142,624	69,944	69,944	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	100,000	38,067	22,681	15,386
Intergovernmental:				
	125,000	435,090	395,090	40,000

COMBINING STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title III - B Homeless	211 ESEA I, A Improving Basic Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (28,920)	\$ (97,368)	\$ (886)	\$ (138,189)
1240	Due from Other Governments	25,850	97,368	-	382,976
1410	Deferred Expenditures	3,329	-	886	-
1000	Total Assets	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,787</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 259	\$ -	\$ -	\$ 243,604
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	-	1,183
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>259</u>	<u>-</u>	<u>-</u>	<u>244,787</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,787</u>

212	224	225	226	240	244	255	
ESEA Title I	IDEA	IDEA	IDEA	National	Vocational Ed	ESEA II,A	Title II, D
Part C	Part B	Part B	Part B	Breakfast and	Basic	Training and	Education
Migrant	Formula	Preschool	Discretionary	Lunch Program	Grant	Recruiting	Technology

Non-Ed.

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ (33,714)	\$ 1,449,623	\$ 94,897	\$ 2,960,542
1240 Due from Other Governments	33,723	-	-	1,834,305
1410 Deferred Expenditures	-	2,852	37,157	91,540
1000 Total Assets	=====	=====	=====	=====

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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, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title III - B Homeless	211 ESEA I, A Improving Basic Program
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	46,996	284,344	130,353
5020	Total Revenues	46,996	284,344	130,353
EXPENDITURES:				
Current:				
0011	Instruction	5,838	284,344	129,239
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	30,775	-	1,044
0021	Instructional Leadership	1,630	-	1,114
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	8,009	-	-
0033	Health Services	338	-	-
0034	Student (Pupil) Transportation	156	-	798
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	250	-	447
6030	Total Expenditures	46,996	284,344	130,353
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100				

MCKINNEY INDEPENDENT SCHOOL DISTRICT

392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Accelerated Reading	411 Technology Allotment	423 High School Allotment	428 Excellence Award Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,601	49,093	31,332	54,724	239,093	621,363	1,465,090	84,897
-	-	-	-	-	-	-	-
<u>24,601</u>	<u>49,093</u>	<u>31,332</u>	<u>54,724</u>	<u>239,093</u>	<u>621,363</u>	<u>1,465,090</u>	<u>84,897</u>
24,601	49,093	31,332	22,932	239,093	539,126	873,229	84,494
-	-	-	-	-	-	-	-
-	-	-	31,792	-	-	215,429	403
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>24,601</u>	<u>49,093</u>	<u>31,332</u>	<u>54,724</u>	<u>239,093</u>	<u>539,126</u>	<u>1,088,658</u>	<u>84,897</u>
-	-	-	-	-	82,237	376,432	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	82,237	376,432	-
-	-	-	-	-	66,250	899,381	-
						\$ [REDACTED]	\$ -

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2008

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Trust Fund	Total Private Purpose Trust Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 14,907	\$ 665	\$ 15,572
Total Assets	<u>14,907</u>	<u>665</u>	<u>15,572</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	10,000	-	10,000
Unrestricted Net Assets	<u>4,907</u>	<u>665</u>	<u>5,572</u>
Total Net Assets	<u>\$ 14,907</u>	<u>\$ 665</u>	<u>\$ 15,572</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Trust Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 610	\$ 96	\$ 706
Total Additions	<u>610</u>	<u>96</u>	<u>706</u>
Change in Net Assets	610	96	706
Total Net Assets - July 1 (Beginning)	<u>14,297</u>	<u>569</u>	<u>14,866</u>
Total Net Assets - June 30 (Ending)	<u>\$ 14,907</u>	<u>\$ 665</u>	<u>\$ 15,572</u>

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REQUIRED T.E.A. SCHEDULES

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2008

Last 10 Years

Tax Rates

Maintenance

Debt Service

(10) Beginning Balance 7/1/2007	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2008
\$ 194,398	\$ -	\$ 7,282	\$ 2,007	\$ (13,303)	\$ 171,806
36,963	-	1,919	410	-	34,634
60,300	-	2,211	485	1	57,605
120,167	-	11,510	3,113	(375)	105,169
204,746	-	24,600	8,060	(860)	171,226
224,760	-	27,764	8,884	(5,500)	182,612
455,771	-	43,168	14,390	(17,267)	380,946
666,322	-	161,587	53,863	2,139	453,011
3,427,642	-	2,014,242	692,488	(88,363)	632,549
-	127,700,680	86,640,687	39,738,087	1,420,857	2,742,763
<u>\$ 5,391,069</u>	<u>\$ 127,700,680</u>	<u>\$ 88,934,970</u>	<u>\$ 40,521,787</u>	<u>\$ 1,297,329</u>	<u>\$ 4,932,321</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2009-2010
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 306,523	\$ 3,525,143	\$ 74,756	\$ -	\$ 3,906,422
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	142,106	-	-	-	-	-	142,106
6212	Audit Services	-	-	-	35,000	-	-	35,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	825,462	-	-	-	-	825,462
621X	Other Professional Services	-	-	498	368,219	-	-	368,717
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	57,339	-	-	57,339
6240	Contr. Maint. and Repair	-	-	-	-	1,356,873	-	1,356,873
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	1,542	1,105	-	-	2,647
6290	Miscellaneous Contr.	-	-	-	38,335	155	-	38,490
6320	Textbooks and Reading	-	-	1,313	5,700	209	-	7,222
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	20	-	1,590	489,117	14	-	490,741
6410	Travel, Subsistence, Stipends	13,276	-	5,081	49,361	1,207	-	68,925
6420	Ins. and Bonding Costs	100,185	-	-	-	-	-	100,185
6430	Election Costs	11,848	-	-	-	-	-	11,848
6490	Miscellaneous Operating	26,801	-	20,297	111,713	1,220	-	160,031
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	16,692	16,692
6000	TOTAL	\$ 294,236	\$ 825,462	\$ 336,844	\$ 4,681,032	\$ 1,434,434	\$ 16,692	\$ 7,588,700

Total expenditures/expenses for General and Special Revenue Funds: 179,864,173
 LESS: Deductions of Unallowable Costs

Total Capital Outlay (6600)	(10)	696,550
Total Debt & Lease(6500)	(11)	69,944
Plant Maintenance (Function 51, 6100-6400)	(12)	16,504,496
Food (Function 35, 6341 and 6499)	(13)	274,307
Stipends (6413)		-
Column 4 (above) - Total Indirect Cost		4,681,032
SubTotal:		22,226,328
Net Allowed Direct Cost		157,637,845

Total Cost of Buildings before Depreciation (1520)	(15)	420,218,239
Historical Cost of Building over 50 years old	(16)	370,326
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	8,676,315

(8) NOTE A: \$3,266,072 in Function 53 expenditures are incll07 11.000 1 0 0 Tm/F1 11.000 Tf 1 06EF1 b6Hnform adm9e18409 Tc2\$3,266,0729t1 rg f 0 Ts

MCKINNEY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED JUNE 30, 2008

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2008

Control

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

Data
Control

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Data

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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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses as defined above.

Compliance

As part of obtaining reasonable assurance about whether McKinney Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the District's trustees, the audit committee, the 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 4, 2008

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

972-335-9754/FAX 972-335-9758

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
McKinney Independent School District
1 Duvall Street
McKinney, Texas 75069

Members of the Board:

Compliance

We have audited the compliance of the McKinney Independent School District, McKinney, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. McKinney Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McKinney Independent School District's management. Our responsibility is to express an opinion on McKinney Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McKinney Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on McKinney Independent School District's compliance with those requirements.

In our opinion McKinney Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. ncof Wwheent -0 aJ-faJ-y

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

<u>Program</u>	<u>Description</u>
Type of Report on Financial Statements	Unqualified
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$500,000
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.
Major Federal Programs	IDEA- Part B, Formula 84.027
Pass-through Entity	Texas Education Agency

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For the Year Ended June 30, 2008

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2008

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, 2008

(1)

(4)

Federal

Entity Identifying
