

**MCKINNEY
INDEPENDENT SCHOOL DISTRICT**

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Financial Report
For the Year Ended June 30, 2009

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Financial Report
For the Year Ended June 30, 2009
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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, 2009, at a meeting of the Board of School Trustees of such school district on the 26th day of October, 2009.

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 148
FRISCO, TEXAS 75034
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ROBIN J. TURNBULL, CPA
WHITNEY YOUNTS, 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**

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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District, McKinney Texas (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in
, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11 and the budgetary comparison information on page 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of

In accordance with _____, we have also issued our report dated September 16, 2009 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with _____ 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, _____, 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 stat

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, 2009. 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) and the Statement of Activities (Exhibit B-1). These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (Exhibits C-1 and C-3) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$81,563,818 on June 30, 2009. (See Table A-1).

Table A-1
The District's Net Assets

	Governmental Activities		Percentage
	2009	2008	Change
Current & Other Assets	146,072,162	113,418,447	28.79%
Capital & Non-Current Assets	446,126,134	435,262,831	2.50%
Total Assets	592,198,296	548,681,278	7.93%
Current Liabilities	52,517,373	56,031,802	-6.27%
Long Term Liabilities	458,117,105	403,222,366	13.61%
Total Liabilities	510,634,478	459,254,168	11.19%
Net Assets			
Invested in Capital Assets			
net of related debt	22,731,150	23,323,678	-2.54%
Restricted	19,156,712	19,615,296	-2.34%
Unrestricted	39,675,956	46,488,136	-14.65%
Total Net Assets	81,563,818	89,427,110	-8.79%

Governmental Activities - Net Assets

Long term liabilities increased with the sale of School Building Unlimited Tax Bonds Series 2008 in September 2008 and Unlimited Tax School Building and Refunding Bonds Series 2009 in May 2009. Current and other assets increased 28.79% from the pr

**Table A-2
Changes in Net Assets**

	Governmental Activities		Percentage Change
	2009	2008	
Revenues			
<u>Program Revenues</u>			
Charges for services	10,069,376	9,839,186	2.34%
Operating grants & contributions	18,665,190	16,888,601	10.52%
<u>General Revenues</u>			
Property taxes	136,040,083	129,011,772	5.45%
State aid - formula	63,105,521	60,753,344	3.87%
Investment earnings	2,184,632	4,933,696	-55.72%
Grants & contributions not restricted	209,268	265,868	-21.29%
Other	4,699,412	5,359,122	-12.31%
Total Revenues	234,973,482	227,051,589	3.49%
Expenses			
Instruction and instructional related	142,123,872	122,936,067	15.61%
Instructional leadership/school administration	14,617,279	13,982,140	4.54%
Guidance, social work, health, transportation	14,733,488	13,090,281	12.55%
Food services	8,470,583	7,891,817	7.33%
Extracurricular activities	7,959,721	6,617,398	20.28%
General administration	4,230,193	3,731,690	13.36%
Plant maintenance & security	18,102,606	18,074,632	0.15%
Community services	3,693,273	3,238,449	14.04%
Data processing services	3,745,515	9,855,958	-62.00%
Debt service	23,873,962	19,504,854	22.40%
Contracted instructional services between public schools	412,392	395,090	4.38%
Other intergovernmental charges	873,890	793,139	10.18%
Total Expenses	242,836,774	220,111,515	10.32%
Extraordinary items-net			
Increase/ (Decrease) in Net Assets	(7,863,292)	6,940,074	-213.30%
Beginning Net Assets	89,427,110	82,487,036	8.41%
Ending Net Assets	81,563,818	89,427,110	-8.79%

Governmental Activities-Changes in Net Assets

- Investment earnings decreased as interest rates fell.
- Expenditures for data processing services decreased in FY 09 due to FY 08 expenditures for 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 \$242,836,774.
- The amount paid by MISD taxpayers for these governmental activities through property taxes was \$136,040,083.
- Some of the cost (\$10,069,376) was paid by those who directly benefited from the programs or by grants and contributions of \$18,665,190.

**Table A-3
Net Cost of Selected District Functions**

	<u>2009</u>	<u>2008</u>	% Change	<u>2009</u>	<u>2008</u>	% Change
Instruction	\$134,721,646	\$116,359,137	15.78%	\$120,757,722	\$103,870,551	16.26%
School leadership	11,775,773	10,427,499	12.93%	11,285,640	10,040,990	12.40%
Plant maintenance & operations	17,501,594	17,452,386				

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 Texas Education Agency Financial Accountability System Resource Guide standards. General Fund revenues for the fiscal year ended June 30, 2009 exceeded budget by \$875,398 due primarily to actual state revenues exceeding projections. Total expenditures for the fiscal year were \$3,422,804 under budget.

At the end of fiscal year 2008, the ending general fund balance of \$53.2 million represented 30.5% of the

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

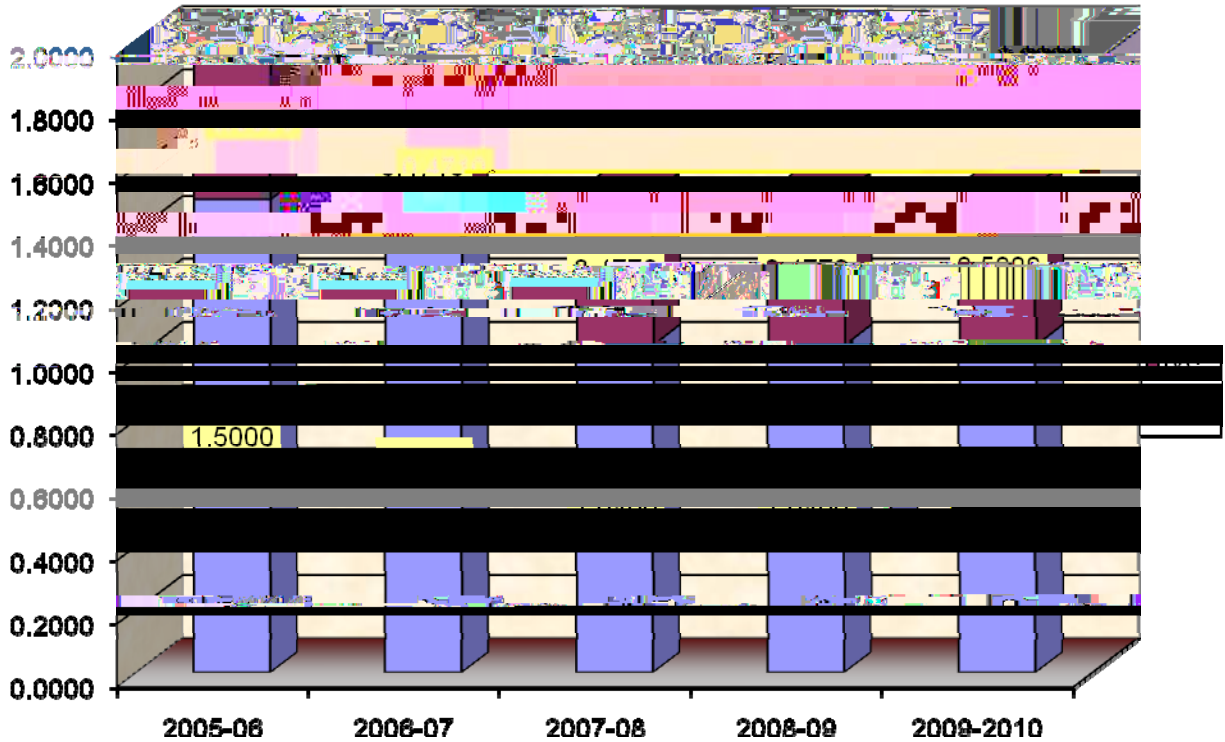
- Net taxable appraised value used for the 2010 budget preparation has decreased approximately \$8.0 million, which represents a decrease of less than 1.0% from 2009 values. New construction for 2010 amounts to approximately \$235 million, with a net of \$35 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on fall enrollment) in the 2008-09 fiscal year of \$7,445 to the budgeted 2009-10 spending per pupil of \$7,447 represents a virtually unchanged spending allocation.
- The District's 2010 refined average daily attendance is expected to be approximately 22,668 which represents a 3.0% increase over 2009.

These indicators were taken into account when adopting the general fund budget for 2010. Revenues available for appropriation in the general fund budget are \$174,809,967 an increase of 5.1% over the final 2009 budget of \$166,300,371. The increase in available revenue is generated primarily by an increase in state aid for enrollment growth and teacher salary increase.

The District's 2010 tax rate is \$1.54, an increase of \$.023 all of which relates to the interest and sinking fund tax rate. As noted above, net taxable appraised value has decreased slightly creating a decrease in expected tax collections in the general fund. The net den. Th9 0 T1.1437 r1e rescac97 r1e 1(i).6 1(i).relatThe Dis(n)24 t

The District tax rate will be \$1.54 in 2010, with the debt portion at \$.50 and the M & O portion at \$1.04. The average taxable value of an average residence is expected to decrease slightly from \$201,768 to \$200,492 in 2010.

Historic Tax Rate Comparison



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



BASIC FINANCIAL STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

EXHIBIT A-1

Data Control Codes	<u>Primary Government</u>	
	Governmental Activities	
<hr/> ASSETS		
1110 Cash and Cash Equivalents	\$	132,112,239 5,275,425

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Gov. Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 134,721,646	\$ 922,840	\$ 13,041,084	\$ (120,757,722)
12 Instructional Resources and Media Services	4,162,927	-	120,422	(4,042,505)
13 Curriculum and Instructional Staff Development	3,239,299	-	491,758	(2,747,541)
21 Instructional Leadership	2,841,506	-	279,563	(2,561,943)
23 School Leadership	11,775,773	-	490,133	(11,285,640)
31 Guidance, Counseling and Evaluation Services	5,664,162	-	474,291	(5,189,871)
32 Social Work Services	355,000	-	-	(355,000)
33 Health Services	1,956,498	-	97,686	(1,858,812)
34 Student (Pupil) Transportation	6,757,828	-	16,629	(6,741,199)
35 Food Services	8,470,583	4,490,057	3,098,644	(881,882)
36 Extracurricular Activities	7,959,721	607,096	154,309	(7,198,316)
41 General Administration	4,230,193	-	120,247	(4,109,946)
51 Plant Maintenance and Operations	17,501,594	862,170	147,532	(16,491,892)
52 Security and Monitoring Services	601,012	-	11,265	(589,747)
53 Data Processing Services	3,745,515	-	72,239	(3,673,276)
61 Community Services	3,693,273	3,187,213	49,388	(456,672)
72 Debt Service - Interest on Long Term Debt	23,806,533	-	-	(23,806,533)
73 Debt Service - Bond Issuance Cost and Fees	67,429	-	-	(67,429)
95 Payments to Juvenile Justice Alternative Ed. Prg.	412,392	-	-	(412,392)
99 Other Intergovernmental Charges	873,890	-	-	(873,890)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 242,836,774	\$ 10,069,376	\$ 18,665,190	(214,102,208)

Data
Control
Codes General Revenues:
 Taxes:

93,258,118

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET

Other Funds	Total Governmental Funds
\$ 3,080,482	\$ 132,112,239
-	5,275,425
-	(158,263)
1,578,387	5,640,123
-	299,577
4,690	986,378
-	496,097
<hr/> <u>4,731,710</u>	<hr/> <u>\$ 145,228,579</u>

\$ 788,483 \$ 17,687,156
35,898 314,867
16,523 3,267,447 Td(3,267, 8ee f7 78 -16 re f Q BT 1 0 0(3,267, 8ee f7 78 -16 re f Q BT 1 0 0(3,267, 8ee f7 78 -16 re f Q BT 1 0 0(

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total Fund Balances - Governmental Funds	\$ 118,111,411
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Capital assets used in g0 Tz 82 -201s Ts 0 g -0.450 Tw 323 -10 y1 rg 370 -112 76 -16 re f Q BT 1 0 0 1 0 0 Tm/FOBT 1 0 0 1	18,375,608
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Capital asset -0sed in g0 Tz 82 -201s Ts 0 g -0.450 Tw 323 -10 y1 rg 370 -116 re f Q BT 1 0 0 1 0 0 Tm/FOBT 1 0 0 1

Other Funds	Total Governmental Funds
\$ 11,119,821	\$ 152,694,033
2,892,409	72,083,804
9,686,906	9,896,175
23,699,136	234,674,012
10,346,501	116,197,207
303,518	3,453,717
444,018	3,239,299
222,098	2,841,506
847,811	11,619,977
281,571	5,663,477
-	355,000
15,335	1,870,312
14,195	6,741,768
7,521,333	7,521,333
193,860	5,668,596
8,488	4,100,961
63,341	17,093,499
70,398	593,924
-	2,751,188
3,532,823	3,693,273
-	21,542,223
-	21,767,691
-	423,768
-	35,168,137
-	412,392
-	873,890
23,865,290	273,593,138
(166,154)	(38,919,126)
-	109,049,243
-	3,725,615
-	(37,314,589)
-	75,460,269
(166,154)	36,541,143
3,990,576	81,570,268
\$ 3,824,422	\$ 118,111,411

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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, 2009

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 15,115	\$ 281,762
Total Assets	<u>15,115</u>	<u>\$ 281,762</u>
LIABILITIES		
Due to Student Groups	-	\$ 281,762
Total Liabilities	<u>-</u>	<u>\$ 281,762</u>
NET ASSETS		
Restricted for Scholarships	<u>15,115</u>	
Total Net Assets	<u>15,115</u>	

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Private Purpose Trust Funds
ADDITIONS:	
Earnings from Temporary Deposits	\$ 250
Total Additions	<u>250</u>
DEDUCTIONS:	
Supplies and Materials	<u>707</u>
Total Deductions	<u>707</u>
Change in Net Assets	(457)
Total Net Assets - July 1 (Beginning)	<u>15,572</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 15,115</u></u>

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009

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 _____ of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's _____ (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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund types(s):

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

2. **Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds are for scholarships.
3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is for student groups.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less
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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-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

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 recorded at estimated fair market value at the date of donation.

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-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 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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-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 _____ and _____ 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 \$(77,634,524) adjustment are as follows:

Taxes:

To move the current year uncollected tax levy to revenue	\$ 3,098,408
To remove the prior year tax collection from current year revenue	<u>(2,765,597)</u>
	<u>332,811</u>

Long-term debt:

Issuance of bonds payable	(74,790,000)
Current year amortization	(165,034)
Current year premium on bonds	<u>(2,978,960)</u>
	<u>(77,933,994)</u>

Capital assets:

Disposal of capital assets	<u>(33,341)</u>
----------------------------	-----------------

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities	\$ <u>(77,634,524)</u>
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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.

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

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.
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, 2009 Fund Balance

Appropriated budget funds - Foort-.00eh-4 Tw[

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

At June 30, 2009, the carrying amount of the District's cash, savings, and time deposits was \$(784,319). The bank balance was \$972,932. The District's combined deposits at June 30, 2009 and during the year ended June 30, 2009 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank American National Bank of Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 11,802,134.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 1,046,522 and occurred during the month of January.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 250,000.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable

~~784,319,000~~

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- a. Custodial Credit Risk - Deposits: (continued)
or a savings and loan association or savi

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, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

C. Due From Other Governments (continued)

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 173,851	3,887,885		4,061,736
Special revenue		<u>52,646</u>	<u>1,525,741</u>	<u>1,578,387</u>
Total	<u>\$ 173,851</u>	<u>3,940,531</u>	<u>1,525,741</u>	<u>5,640,123</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Government activities:				
Land	\$ 23,036,441	2,457,490		25,493,931
Buildings and improvements	420,218,239	65,754,722		485,972,961
Furniture and equipment	8,676,315	1,512,945	(652,342)	9,536,918
Construction in progress	<u>64,928,630</u>	<u>19,995,493</u>	<u>(65,684,807)</u>	<u>19,239,316</u>
Totals at historical cost	<u>516,859,625</u>	<u>89,720,650</u>	<u>(66,337,149)</u>	<u>540,243,126</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Bonds Payable (continued)

General obligation bonds consist of 1995, 1998 - 2002, and 2004-2008 School Building Bonds bearing interest at 4.00 - 6.00% per annum and 1987, 1999, 2003-2005, and 2009 Refunding Bonds bearing interest at 3.00 - 9.00% per annum. Interest expense for the year on all bonded indebtedness was \$21,767,691.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	Total
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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Defeasance of Debt (continued)

As a result of the advance refunding, the District decreased its total debt service requirements by \$2,121,214, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,426,818. The District issued the refunding bonds in order to restructure the bond debt and to enable the District to issue additional bonds for the purpose of capital improvements with an approximate annual level debt service.

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2009, \$70,470,000 of the bonds outstanding (including those defeased in 2009) are considered defeased.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2009, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

The District is currently involved in various litigation. Management believes the District will prevail in each matter.

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2009, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Private Purpose <u>Fund</u>	<u>Total</u>
Property taxes	\$ 93,066,932		42,640,344			135,707,276
Food sales		4,490,057				4,490,057
Investment income	1,367,976		251,342	565,314	250	2,184,882
Penalties, interest and other tax related income	789,157		339,215			1,128,372
Co-curricular student activities	607,095	3,390,980				3,998,075
Tuition and fees	922,840	3,187,213				4,110,053
Other	<u>1,023,997</u>	<u>51,571</u>	_____	_____	_____	<u>1,075,568</u>
Total	\$ <u>97,777,997</u>	<u>11,119,821</u>	<u>43,230,901</u>	<u>565,314</u>	<u>250</u>	<u>152,694,283</u>

D. Deferred Revenue

Governmental funds report _____ 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 _____ reported in the governmental funds were as follows:

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Net tax revenue	\$ 3,621,138		1,496,024	5,117,162
State revenue			420,816	420,816
LEP		7,721		7,721
Deferred tuition	69,589			69,589
Investment capital		21		21
Club 360		9,717		9,717
Detachment revenue	173,851			173,851
Advanced placement initiatives	_____	<u>48,925</u>	_____	<u>48,925</u>
Total	\$ <u>3,864,578</u>	<u>66,384</u>	<u>1,916,840</u>	<u>5,847,802</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 5 OTHER INFORMATION (continued)

E. Health Care Coverage

For the year ended June 30, 2009, 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.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2008, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. 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 and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal years 2007 and 2008 and 6.58% for fiscal year 2009. State contributions to TRS made on behalf of the District's

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2009
-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2007, 2008, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2007, 2008, and 2009, the State's contributions to TRS-Care were \$943,547, \$1,078,379, and \$1,205,268, respectively, the active member contributions were \$613,306, \$700,953, and \$783,431, respectively, and the school district's contributions were \$518,951, \$593,094, and \$662,895, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2009 is estimated by TRS at \$269,232.

H. Workers' Compensation Insurance

During the year ended June 30, 2009, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Contribution and Coverage Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2008, the Fund carries a discounted reserve of \$76,073,881 for future development on reported claims and claims that have been incurred but not yet reported. For the year en

REQUIRED SUPPLEMENTAL INFORMATION

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

Data
Control
Codes

COMBINING STATEMENTS

212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology
\$ (4,007)	\$ (298,357)	\$ (3,895)	\$ (13,117)	\$ 1,000,660	\$ (25,919)	\$ (27,367)	\$ -
4,898	736,923	11,841	13,117	85,098	25,919	93,698	-
-	-	-	-	4,690	-	-	-
-	2,298	-	-	-	-	-	-
<u>\$ 891</u>	<u>\$ 440,864</u>	<u>\$ 7,946</u>	<u>\$ -</u>	<u>\$ 1,090,448</u>	<u>\$ -</u>	<u>\$ 66,331</u>	<u>\$ -</u>
\$ 891	\$ 428,881	\$ 7,946	\$ -	\$ -	\$ -	\$ 66,331	\$ -
-	-	-	-	-	-	-	-
-	11,983	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>891</u>	<u>440,864</u>	<u>7,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,331</u>	<u>-</u>
-	-	-	-	1,090,448	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	<u>1,090,448</u>	-	-	-
<u>\$ 891</u>	<u>\$ 440,864</u>	<u>\$ 7,946</u>	<u>\$ -</u>	<u>\$ 1,090,448</u>	<u>\$ -</u>	<u>\$ 66,331</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	385 Visually Impaired	
ASSETS					
1110	Cash and Cash Equivalents	\$ (57,867)	\$ -	\$ 7,721	\$ -
1240	Due from Other Governments	69,230	-	-	-
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 11,363</u>	<u>\$ -</u>	<u>\$ 7,721</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 11,363	\$ -	\$ -	\$ -
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	7,721	-
2000	Total Liabilities	<u>11,363</u>	<u>-</u>	<u>7,721</u>	<u>-</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>\$ 11,363</u>	<u>\$ -</u>	<u>\$ 7,721</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	(4,960)	1,572,592	(122,420)	3,080,482

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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, 2009

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	49,590	279,674	116,888
5020	Total Revenues	<u>49,590</u>	<u>279,674</u>	<u>116,888</u>
EXPENDITURES:				
Current:				
0011	Instruction	415	277,366	114,002
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	42,627	-	2,000
0021	Instructional Leadership	1,238	2,308	886
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	5,310	-	-
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	2,996
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community Services	-	-	10,707
6030	Total Expenditures	<u>49,590</u>	<u>279,674</u>	<u>116,888</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ESEA Title I Part C Migrant	IDEA - Part B Formula	IDEA - Part B [REDACTED]	Discretionary
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[REDACTED]

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	263 Title III, A English Lang. Acquisition	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	385 Visually Impaired
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	3,992
5900	Federal Program Revenues	<u>229,550</u>	<u>14,494</u>	<u>-</u>
5020	Total Revenues	<u>229,550</u>	<u>14,494</u>	<u>3,992</u>
EXPENDITURES:				

Non-Ed.
Community

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 3,434,830	\$ 3,189,713	\$ 11,119,821
5800	State Program Revenues	15,896	-	-	2,892,409
5900	Federal Program Revenues	-	-	-	9,686,906
5020	Total Revenues	<u>15,896</u>	<u>3,434,830</u>	<u>3,189,713</u>	<u>23,699,136</u>
EXPENDITURES:					
Current:					
0011	Instruction	3,202	1,719,840	-	10,346,501
0012	Instructional Resources and Media Services	22	302,246	-	303,518
0013	Curriculum and Instructional Staff Development	12,672	3,286	20,000	444,018
0021	Instructional Leadership	-	-	28,782	222,098
0023	School Leadership	-	827,201	-	847,811
0031	Guidance, Counseling and Evaluation Services	-	-	-	281,571
0033	Health Services	-	30	-	15,335
0034	Student (Pupil) Transportation	-	-	-	14,195
0035	Food Services	-	-	-	7,521,333
0036	Extracurricular Activities	-	193,860	-	193,860
0041	General Administration	-	8,488	-	8,488
0051	Facilities Maintenance and Operations	-	62,194	1,147	63,341
0052	Security and Monitoring Services	-	70,398	-	70,398
0061	Community Services	-	131,377	3,356,008	3,532,823
6030	Total Expenditures	<u>-</u>	<u>131,377</u>	<u>3,356,008</u>	<u>3,532,823</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2009

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Trust Fund	Total Private Purpose Trust Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 15,084	\$ 31	\$ 15,115
Total Assets	<u>15,084</u>	<u>31</u>	<u>15,115</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, 2009

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REQUIRED T.E.A. SCHEDULES

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2009

Last 10 Years

Tax Rates

Maintenance

Debt Service

Tax Purposes

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2009

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 433,743	\$ 3,781,278	\$ 77,038	\$ -	\$ 4,292,059
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	192,026	-	-	-	-	-	192,026
6212	Audit Services	-	-	-	37,500	-	-	37,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	906,386	-	-	-	-	906,386
621X	Other Professional Services	-	-	2,228	215,587	-	-	217,815
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	60,846	-	-	60,846
6240	Contr. Maint. and Repair	-	-	-	-	830,866	-	830,866
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	890	-	-	890
6290	Miscellaneous Contr.	-	-	74,480	43,456	179	-	118,115
		-	-	-	-	-	-	-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2009

UNAUDITED

1	Total General Fund Balance as of 6/30/09 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 49,480,709
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 941,132	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	89,032	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	27,304,364	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).	14,925,032	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	3,887,885	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	819,026	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		47,966,471
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		\$ 1,514,238

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

The excess balance represents approximately 3 percent of the optimum fund balance and cash flow. The balance should be decreased in the 2009-2010 school year as the District adopted a budget which will be financed in part by the use of fund balance.

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 5,046,049	\$ 5,046,049	\$ 4,495,278	\$ (550,771)
5800 State Program Revenues	41,501	41,501	42,866	1,365
5900 Federal Program Revenues	3,103,952	3,103,952	3,055,778	(48,174)
5020 Total Revenues	8,191,502	8,191,502	7,593,922	(597,580)
EXPENDITURES:				
0035 Food Services	7,970,008	8,045,373	7,521,333	524,040
6030 Total Expenditures	7,970,008	8,045,373	7,521,333	524,040
1200 Net Change in Fund Balances	221,494	146,129	72,589	(73,540)
0100 Fund Balance - July 1 (Beginning)	1,017,859	1,017,859	1,017,859	-
3000 Fund Balance - June 30 (Ending)	\$ 1,239,353	\$ 1,163,988	\$ 1,090,448	\$ (73,540)

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2009

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	\$ 44,414,762	\$ 43,354,309	\$ 43,230,901	\$ (123,408)
5800 State Program Revenues	-	-	2,892	2,892
5020 Total Revenues	44,414,762	43,354,309	43,233,793	(120,516)
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	20,477,223	21,542,223	21,542,223	-
0072 Debt Service - Interest on Long Term Debt	23,239,900	21,767,691	21,767,691	-
0073 Debt Service - Bond Issuance Cost and Fees	50,000	150,312	141,332	8,980
6030 Total Expenditures	43,767,123	43,460,226	43,451,246	8,980
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	647,639	(105,917)	(217,453)	(111,536)
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	33,892,947	33,892,947	-
7916 Premium or Discount on Issuance of Bonds	-	2,709,475	2,709,475	-
8949 Other (Uses)	-	(37,314,589)	(37,314,589)	-
7080 Total Other Financing Sources (Uses)	-	(712,167)	(712,167)	-
1200 Net Change in Fund Balances	647,639	(818,084)	(929,620)	(111,536)
0100 Fund Balance - July 1 (Beginning)	17,048,134	17,048,134	17,048,134	-
3000 Fund Balance - June 30 (Ending)	\$ 17,695,773	\$ 16,230,050	\$ 16,118,514	\$ (111,536)

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

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WHITNEY YOUNTS, CPA

MEMBERS
AMERICAN INSTITUTE of CPAs
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAs

**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 _____ that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 _____, issued by the Comptroller General of the United States, and OMB Circular A-133, _____. 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 wi

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

<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 <small>FILED-1542018-5.00-.BrTJfas0898.4Y2BB1326.ditee</small>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For the Year Ended June 30, 2009

<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, 2009

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, 2009

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
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U.S. DEPARTMENT OF EDUCATION

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