MCKINNEY
INDEPENDENT SCHOOL DISTRICT

Comprehensive Annual Financial Report

June 30, 2016

Prepared by: Business Services Department

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CERTIFICATE OF BOARD

McKinney Independent School District	Collin	043-907
Name of School District	County	Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (✓) approved ( ) disapproved for the year ended June 30, 2016, at a meeting of the Board of School Trustees of such school district on the 25th day of October, 2016.

Stephanie O Bell
Signature of Board Secretary

Signature of Board President

If the auditor's report was disapproved, the reason(s) therefore is/are (attach list if necessary):

McKINNEY
INDEPENDENT SCHOOL DISTRICT

BUSINESS SERVICES

October 18, 2016

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

Members of the Board:

Texas Education Code requires school districts to submit financial statements to Texas Education Agency within 150 days of the close of the fiscal year. The reports must adhere to Generally Accepted Accounting Principles and be audited by a firm of licensed Certified Public Accountants. In compliance with this requirement, McKinney Independent School District (ISD) hereby submits the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

The CAFR represents the financial position of the District as measured by the activity of all funds of the District. The financial position of the District is discussed in greater detail in the Management's Discussion and Analysis (MDA) presented within the CAFR.

The report was prepared by the District's Business Services Department. The District assumes full responsibility for the accuracy, completeness, and fairness of the reports. The CAFR was audited by Evans, Pingleton, and Howard, PLLC, a licensed certified public accounting firm. The audit is intended to provide the District with reasonable assurance that the financial statements for the fiscal year ended, June 30, 2016, are free from material misstatement. The independent auditor's report presented within verifies there was a reasonable basis to issue an unmodified opinion. The opinion states that the reports are presented in conformity with Generally Accepted Accounting Principles and without material misstatements.

PROFILE AND GOVERNANCE OF THE DISTRICT

McKinney ISD is an independent public education agency recognized as a political subdivision of the state of Texas. Formed in 1926, the District provides educational services to students in pre-kindergarten through grade 12. McKinney ISD has twenty elementary schools, five middle schools, three high schools, one alternative campus, and one early childhood education school. The ages and capabilities of these facilities can be found in the statistical section. The District had enrollment of 24,765 students in the 15/16 school year. Enrollment is predicted to grow in the 16/17 school year to 24,867.

Located in Collin County in north central Texas , the District provides services wholly or partially to the communities of McKinney, Allen, Fairview, Lucas, and Princeton. Governance is by an elected and uncompensated Board of seven trustees. The Board's primary role is governance and oversight while the operational functions of the District are delegated to the Superintendent and administrative staff.

#1 Duvall Street | McKinney, Texas 75069 | Tel. 469.302.4131 | Fax 469.302.4027

www.mckinneyisd.net

In general, the Board adopts policies, approves curriculum, employs the superintendent, and oversees the operations of the District and its schools. Besides general Board business, trustees are charged with numerous statutory regulations, including appointing the tax assessor/collector, calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules, acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget.

The Board solicits and evaluates community input and support concerning school policies and has final control over local school matters limited only by the state legislature, by the courts and by the will of the people as expressed in School Board elections. Board decisions are based on a majority vote of a quorum of the Board.

The Board has responsibilities and control over all activities related to the public school education within its geographic boundaries. Even though there is considerable association between such other entities as the Collin County Tax Office and the Collin County Central Appraisal District, this report is restricted only to the actual activities of the District.

MISSION AND AWARDS

The mission of the District is stated as:

"We will provide engaging leaning experiences so students can become effective communicators, quality contributors, and socially responsible citizens."

The vision of the District is stated as:

"A cohesive, diverse community providing engaging learning experiences for all."

Both the mission and vision are evident throughout all District programs/services including regular and enriched academic education, special education for disabled children, career and technology education, gifted and talented programs, and programs for those with limited English proficiency. In addition, the programs are supplemented with a wide variety of co-curricular offerings that include fine arts and athletics.

MISD strives to provide students with quality educational experiences and has attained the highest possible ratings in the state accountability system. The District continues to outperform the region and state in all subjects and grade levels as measured by STAAR assessments. The latest statistics from Texas Education Agency (TEA) report the Class of 2014's graduation rate at 95.6% and over 90% of the class was deemed college and career ready based on TEA advanced criteria. Available data related to seniors that had previously taken the PSAT/NMSQT revealed that thirty earned Commended Scholar recognition and two were named as semifinalists in the National Merit Scholarship Program. In addition, nine students were recognized in the Hispanic Recognition Program.

The Alliance for Healthier Generation awarded the National Healthy Schools Award to all twenty eight of the District's elementary, middle school, and high schools. The District was only one of three districts in the nation who can claim all their campuses as award winners.

McKinney ISD claims one of the most distinguished Fine Arts programs in the state. It is the only district in Texas to have a Texas Music Educators Association (TMEA) Honor Choir at every level. In addition, Faubion Middle School Full Orchestra was named TMEA Honor Full Orchestra, an award to the best orchestra in the state.

McKinney High School and McKinney North High School Marching Bands qualified for State Marching Contest in the 15/16 school year. Eddins Elementary School Choir was only one of two elementary choirs in the state chose as a TMEA Elementary Invited Choir. Four school's orchestras or band were chosen to perform at the internationally famous Midwest Band and Orchestra Clinic.

Athletics also achieved numerous honors during the 15/16 year. Thirteen teams advanced to state competition.

In 1999, the 76th Texas Legislature, approved legislation requiring the commissioner of education in consultation with the Comptroller of Public Accounts to develop a rating system for school district financial accountability. The 77th Texas Legislature in 2001 subsequently adopted rules for the implementation and administration of the financial accountability rating system known as School FIRST, Financial Integrity Rating System of Texas. The financial accountability rating system benefits the public by having in place a system to ensure that school districts will be held accountable for the quality of their financial management practices. McKinney ISD has received the highest rating provided each year since the implementation of the rating system in the 2001-02 year.

The Texas Comptroller of Public Accounts has implemented a program to recognize local governments for going above and beyond posting the usual financial data to their websites. The program recognizes government entities that provide clear and meaningful financial information not only by posting financial documents, but also through summaries, visualizations, downloadable data and other relevant information. The District earned prestigious Transparency Star recognition from the State Comptroller for financial transparency in 15/16, only one of eleven recognized districts in the state of Texas. The District had previously earned the highest rating for six consecutive years in the Comptroller's Leadership Circle Recognition Program.

ECONOMIC CONDITIONS AND OUTLOOK

McKinney ISD is situated in the Collin County, 36 miles north of Dallas on U.S. Highway 75 in the city of McKinney. The city is an integral part of the Dallas Fort Worth metroplex. It enjoys easy access to major transportation and shipping hubs with a location 37 miles from DFW airport and 32 miles from Love Field. In addition, McKinney's National Airport will accommodate all types of business aircraft. Consistently ranked as one of the fastest growing cities, McKinney was named the #1 Best Place to Live in America by *Money Magazine* in 2014. McKinney has been featured in the top 5 of each report since 2010. *Money* editors look at data about employment, schools, crime and safety, and also evaluate each city's overall quality of life to determine the ratings.

McKinney is home to several industries such as Raytheon, Encore Wire, Emerson Process Management, Baylor Medical Center, and Torchmark/United American Insurance. As the county seat of Collin County, public employers include the County, City of McKinney, McKinney ISD, and Collin College. Contributing to the area's growth has been the relocation of Toyota Motor Company's Headquarters as well as the State Farm Insurance Company's regional offices in neighboring cities. These factors have created an increased residential demand and rapidly expanding economy.

The 15/16 school year saw the completion of the 2011 Bond Program approved by voters in May 2011. Projects included expansions/renovations to McKinney High School, McKinney North High School, Dowell Middle School, Johnson Elementary, and Malvern Elementary. Additional projects included heating and air conditioning systems, roof replacements and improvements throughout the District with respect to safety, security, technology and instructional programming. This multi-year bond program positively impacted every child in McKinney ISD.

The 16/17 school year marks the beginning of the $220,000,000 2016 Bond Program approved by voters in May 2016. Projects include comprehensive upgrades to heating and air conditioning systems, roof replacements, renovations and additions at several schools, security cameras, instructional technology, and a district-wide stadium and event center. This multi-year bond program will positively impact every child in McKinney ISD.

The 16/17 school year marks the implementation of 20 year maximum maturity bonds. This is a substantial reduction from the previously used 25 year maximum maturity bonds. This will enhance an already aggressive debt payoff schedule, reducing interest expenses by approximately 23 percent vs. 25 year bonds. As of April 2016, the District has refunded approximately $225,385,000 of outstanding bonds for a savings of $31,702,588. With the previous refunding and moving to 20 year maximum maturity bonds, the District will have paid over 60% of total debt within the next 10 years.

2016/17 Budget and Tax Rate

The Board of Trustees is required to adopt a final budget no later than the close of the fiscal year, June 30. Annual budgets for the General Operating Fund, Debt Service Fund and Food Service Fund were adopted by the Board of Trustees on June 28, 2016. The budgets are allocated by fund and function. Site based decisions are made throughout the year as campuses and departments manage their funds. Budget transfers between functions, however, require approval from the Board of Trustees. The budget is tightly controlled in all areas of operation.

The District adopted a maintenance and operations tax rate of $1.17. The debt service rate of $0.45 representing a $0.05 reduction in the rate was also adopted.

For additional information about the financial status of the District, readers should refer to Management's Discussion and Analysis section of this report.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of Business Services. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation.

We also wish to thank the members of the Board of Trustees for their continued consideration and support, and for planning and conducting the financial operations of the District in a responsible and progressive manner.

Rick McDaniel
Superintendent

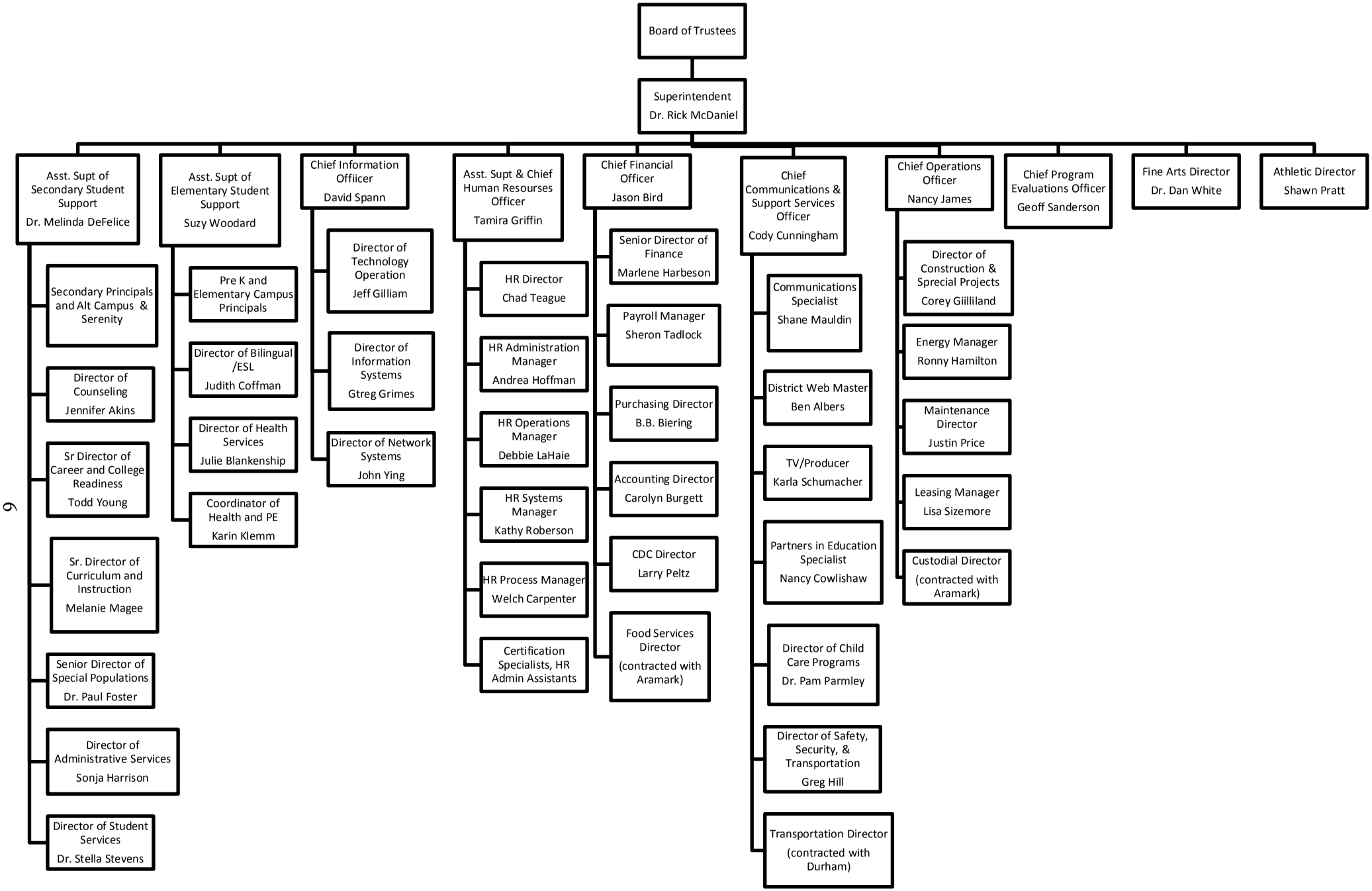
Jason Bird
Chief Financial Officer

BOARD OF TRUSTEES

Name	Length of Service	Term Expires	Occupations
Amy Dankel President	5 Years	May 2019	Retired Educator
Bobby Amick Vice President	5 Years	May 2017	Attorney
Lynn Sperry Secretary	31 Years	May 2019	Magazine Publisher
Kathi Livezey Trustee	6 Years	May 2017	Retired Educator
Maria McKinzie Trustee	10 Years	May 2017	Supply Chain Specialist
Stephanie O'Dell Trustee	1 year	May 2019	Community Volunteer
Curtis Rippee Trustee	6 Years	May 2017	Managing Partner & CEO

ADMINISTRATIVE OFFICIALS

Name	Position	Length of District Service
Dr. Rick McDaniel	Superintendent	10 years
Jason Bird	Chief Financial Officer	18 years
Dr. Melinda DeFelice	Assistant Superintendent of Student Services	15 years
Suzanne Woodard	Assistant Superintendent of Learner Support	14 years
Tamira Griffin	Assistant Superintendent, Chief Human Resources Officer *Total school experience 14 years	1 year*
Nancy F. James	Chief Operations Officer	16 years
Cody Cunningham	Chief Communications and Support Services Officer	11 years
David Spann	Chief Information Officer *Total school experience 21 years	2 years *
Geoff Sanderson	Chief Program Evaluation Officer	11 years
Dr. Dan White	Fine Arts Director *Total school experience 15 years	1 year*
Shawn Pratt	Athletic Director	23 years



McKinney Independent School District Organization Chart 2015/16

FINANCIAL SECTION

McKINNEY

INDEPENDENT SCHOOL DISTRICT

EVANS, PINGLETON and HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
8950 Gary Burns Drive, Suite D
Frisco, Texas 75034
PH 972-335-9754
FAX 972-335-9758

Independent Auditor's Report

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

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McKinney Independent School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McKinney Independent School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, required Texas Education Agency report section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, required Texas Education Agency report section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, required Texas Education Agency report section and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2016, on our consideration of the McKinney Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McKinney Independent School District's internal control over financial reporting and compliance.

Evans, Pingleton and Howard, PLLC

Frisco, Texas
September 19, 2016

MANAGEMENT'S DISCUSSION & 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, 2016. Please read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's total assets and deferred outflows of resources as presented on the government-wide Statement of Net Position exceeded total liabilities and deferred inflows of resources by $131.3 million. The net position of the District increased by $30.6 million during the year ended June 30, 2016.

The District's governmental funds financial statements reported combined ending fund balance of $147.2 million. Of this amount, the General Fund has a total of $87.9 of which $1.1 million is nonspendable, $1.8 million is assigned, and $85.0 million is unassigned available for spending at the District's discretion. Fund balance of $49.5 million is restricted by the Debt Service Fund and Capital Projects Fund. The Special Revenue Funds have a fund balance of $9.8 million with $4.5 million restricted, $5.3 million unrestricted, and a small amount in the nonspendable prepaid classification.

In 2011, the District's voters approved $191.0 million in authorized new bonds. The final remaining unissued amount of $33.6 million was issued in fiscal year (FY) 2016 with the August 2015 Unlimited Tax School Building and Refunding Bonds. This issue also included bond refunding of $35.8 million to restructure Series 2007 Unlimited Tax School Building Bonds. Bonds were also refunded in April 2016 to restructure Series 2008 Unlimited Tax School Building Bonds in the amount of $34.6 million.

Amounts of $12.5 million unissued from the 2000 bond election remained in FY16. This remaining amount will be issued in FY17. In May 2016, the District held a successful bond election with voters approving $220 million in authorized new bonds. The first issuance of these bonds will be in FY17.

FY16 saw the completion of the 2011 Bond Program approved by voters in May 2011. Projects included expansions/renovations to McKinney High School, McKinney North High School, Dowell Middle School, Johnson Elementary, and Malvern Elementary. Additional projects included heating and air conditioning systems, roof replacements and improvements throughout the District with respect to safety, security, technology and instructional programming. This multi-year bond program positively impacted every child in McKinney ISD

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 governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (following Exhibit D-2) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA and begin with Exhibit F-1. Exhibits labeled Exhibit G, TEA Required Schedules, and Federal Awards, contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

REPORTING THE DISTRICT AS A WHOLE

Government-Wide Statements: The Statement of Net position and the Statement of Activities

The government-wide statements (Exhibits A-1 and B-1) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets, Exhibit A-1, includes all of the government's assets and liabilities. The Statement of Activities, Exhibit B-1, accounts for all of the current period's revenues and expenses.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consider additional non-financial factors such as changes in the District's tax base.

Within the government-wide financial statements of the District, most of the District's basic services are included, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes, grants and state revenues finance most of the activities.

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 Position 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 Position and Changes in Fiduciary Net Position, 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.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Immediately following the required supplementary information, combining statements are included for nonmajor special revenue funds and the agency funds.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements. The table below summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain.

Type of Statements	**Government Wide**	**Governmental Funds**	**Fiduciary Funds**
Scope	All activities of the District (except fiduciary)	The activities of the district that are not fiduciary.	Instances in which the district is the trustee or agent for someone else's resources.
Required financial statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, & changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was $131,341,107 on June 30, 2016. (See Table A-1).

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2016	2015	Change
Current & Other Assets	$175,184,496	156,836,875	11.70%
Capital & Non-Current Assets	505,550,177	495,064,357	2.12%
Total Assets	680,734,673	651,901,232	4.42%
Deferred Outflows of Resources	24,379,888	4,710,932	533.62%
Current Liabilities	59,280,969	59,738,838	-0.77%
Long Term Liabilities	510,704,248	488,590,641	4.53%
Total Liabilities	569,985,217	548,329,479	3.95%
Deferred Resource Inflow #2	3,788,237	7,494,047	23.53%
Net Assets			
Invested in Capital Assets			
Net of Related Debt	44,433,335	33,022,837	34.55%
Restricted	27,345,958	25,329,735	7.96%
Unrestricted	59,561,814	42,436,066	40.36%
Total Net Position	$131,341,107	100,788,638	30.31%

Governmental Activities – Net Position

Current and other assets increased 11.70% from the previous year as amounts invested increased due to higher than normal tax collections in June. The Deferred Outflow of resources increased substantially due to the financial results of the Texas Teacher Retirement System (TRS) pension fund. Governmental Accounting Standards Board (GASB) Statement no 68 requires participants in the Teacher Retirement System (TRS) pension fund to record a proportionate share of the plan's financial results.

Table A-2
Changes in Net Position

	Governmental Activities 2016	2015	Percentage Change
Revenues			
Program Revenues			
Charges for Services	$8,745,293	8,753,579	-0.09%
Operating Grants & Contributions	25,395,453	24,101,510	5.37%
General Revenues			
Property taxes	187,908,437	173,371,448	8.38%
State Aid - Formula	67,949,930	66,111,929	2.78%
Investment Earnings	458,859	143,114	220.62%
Grants & Contributions Not Restricted	6,644,620	813,724	716.57%
Other	7,109,241	7,785,834	-8.69%
Total Revenues & Extraordinary Items	$304,211,833	281,081,138	8.23%
Expenses			
Instruction & Instructional related	$165,689,498	158,720,595	4.39%
Instructional Leadership/School Administration	17,283,690	16,341,219	5.77%
Guidance, Social Work, Health, Transportation	17,139,206	16,587,013	3.33%
Food Services	9,913,085	9,653,046	2.69%
Extracurricular Activities	8,850,466	8,231,832	7.52%
General Administration	4,697,093	4,102,561	14.49%
Plant Maintenance & Security	20,524,011	19,228,117	6.74%
Community Services	2,705,634	2,545,145	6.31%
Data Processing Services	4,772,294	4,269,475	11.78%
Debt Service	19,755,958	22,583,590	-12.52%
Contracted Instructional Services Between Public Schools	1,141,517	423,226	169.72%
Other Intergovernmental Charges	1,186,912	1,082,553	9.64%
Total Expenses	273,659,364	263,768,372	3.75%
Change in Net Position	30,552,469	17,312,766	76.47%
Net Position – Beginning	100,788,638	110,865,107	-9.09%
Prior Period Adjustment		(27,389,235)	100.00%
Net Position – Ending	$131,341,107	100,788,638	30.31%

Governmental Activities – Changes in Net position

- Property taxes increased as total appraised property values continue to improve.
- Investment earnings improved as interest rates increased slightly and higher tax collections increased the balance of investment accounts.
- Grants and contributions not restricted reflect the district's proportionate share of the TRS pension fund as required by GASB 68.
- Salary increases were recorded in all functions reflecting a 3% pay raise.
- Data processing had increases due to the purchase of servers, laptop, etc. to serve district personnel.
- Payments to contracted instructional services increased as the District's Chapter 41 payment to the state was reflected here and increased from $347,762 in FY 15 to $1,091,597 in FY 16.

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 $273,659,364
- The amount paid by MISD taxpayers for these governmental activities through property taxes was $187,908,437.
- Some of the cost ($8,745,293) was paid by those who directly benefited from the programs or by grants and contributions of $25,395,453.
- State aid formula grants paid for $67,949,930 of the costs.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	2016	2015	% Change	2016	2015	% Change
Instruction	$157,383,314	$151,571,899	3.83%	$139,957,008	$135,371,429	3.39%
School Leadership	14,086,077	13,465,466	4.61%	13,401,835	12,805,976	4.65%
Plant Maintenance & Operations	19,255,898	18,178,252	5.93%	18,220,101	17,123,124	6.41%
Debt Service – Interest & Fiscal Charges	19,755,958	22,583,590	-12.52%	19,755,958	22,583,590	-12.52%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of $147,230,659 as compared to a fund balance ending June 30, 2015 of $128,572,134. The general fund reflected the biggest increase ($15,043,073).

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, 2016 exceeded budget by $8,381,205. State program revenues exceeded budget by $7,059,024. Total expenditures for the fiscal year were $9,435,531 under budget. This was attributable primarily to the categories of Instruction where the budget was based on full staffing for the entire year; however, there were miscellaneous vacancies throughout the year. Fuel and utility expenditures were less due to a new fuel contract and mild weather throughout the fiscal year. Facilities Maintenance and Operations and Student Transportation also under spent a significant portion of their non-payroll budget.

At the end of FY15, the ending general fund balance of $72.8 million represented 35.1% of the FY16 final operating budget. At FY16, the ending fund balance (unassigned) of $85.0 million represented 39.2% of the FY17 operating budget.

CAPITAL ASSETS & DEBT ADMINISTRATION

At the end of FY16, the District had invested $505,550,176 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4) 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

	2016	2015	Total % Change
Land	$ 40,071,014	$ 40,071,014	0.00%
Buildings & Improvements	602,443,380	598,192,059	0.71%
Furniture & Equipment	14,362,125	14,321,360	0.28%
Construction in Progress	41,559,377	19,916,755	108.67%
Totals at Historical Cost	$ 698,435,896	$ 672,501,188	3.86%
Total Accumulated Depreciation	192,885,720	177,436,834	8.71%
Net Capital Assets	$ 505,550,176	$ 495,064,354	2.12%

Construction in progress increased as the McKinney North High School, Johnson Elementary and Malvern Elementary renovations were nearing completion at June 30, 2016.

At the end of FY16, the District had $492,757,935 in bonds outstanding as compared to $491,960,538 at the end of FY15. 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

	2016	2015	Total % Change
Bonds payable	$ 492,757,935	$ 491,960,538	0.16%
Total bonds & notes payable	$ 492,757,935	$ 491,960,538	0.16%

All of the District's bonds except the Series 2009 and 2010 Bonds presently carry AAA Ratings by virtue of the Texas Permanent School Fund Bond Guarantee Program. The District's underlying ratings (and standalone ratings in the case of the Series 2009 and 2010 Bonds) are as follows:

Moody's Investor Services "Aa2"
Standard & Poor's "AA"

ECONOMIC FACTORS & NEXT YEAR'S BUDGETS AND RATES

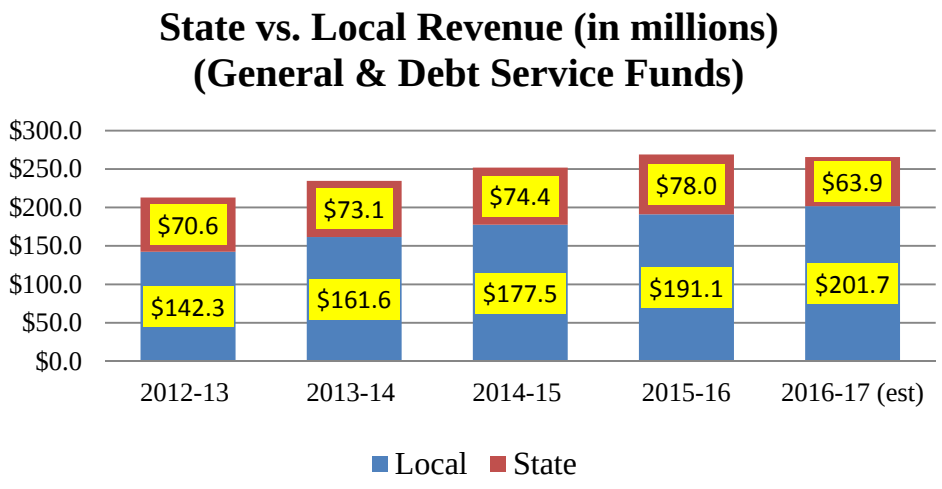
- Net taxable appraised value used for FY17 budget preparation increased approximately $1,263.4 million, which represents an increase of 10.9% from FY16 values. New construction for FY17 amounts to approximately $246.1 million. Value lost for new exemptions totals $57.2 million.

- A comparison of budgeted general operating fund spending per pupil (based on fall enrollment) in the FY16 fiscal year of $8,297 to the budgeted FY17 spending per pupil of $8,721 represents a budgeted increase in spending per pupil of 5.1%.

- The District's 2017 fall enrollment is expected to be approximately 24,847 which represents a 0.2% increase over 2016.

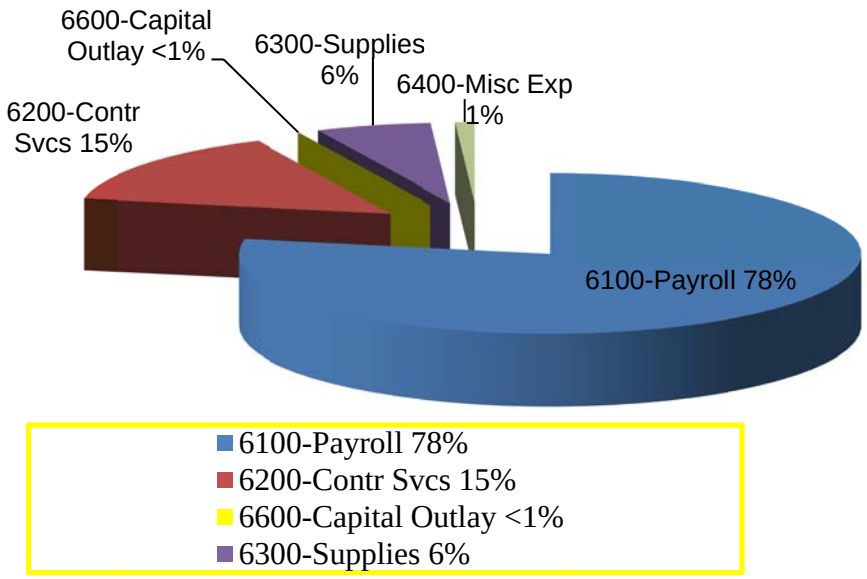
These indicators were taken into account when adopting the general fund budget for FY17. Revenues available for appropriation in the general fund budget are $208,686,242, an increase of 2.3% over the final FY16 budget of $203,995,340. The difference is due to expected increased tax collections owing to the increase in appraised value as noted above.

The District's projected FY17 tax rate is $1.620, a decrease of $0.05 from FY16 $1.67. The following chart demonstrates the relationship of state and local funding for the past four years along with estimated amounts for FY17.

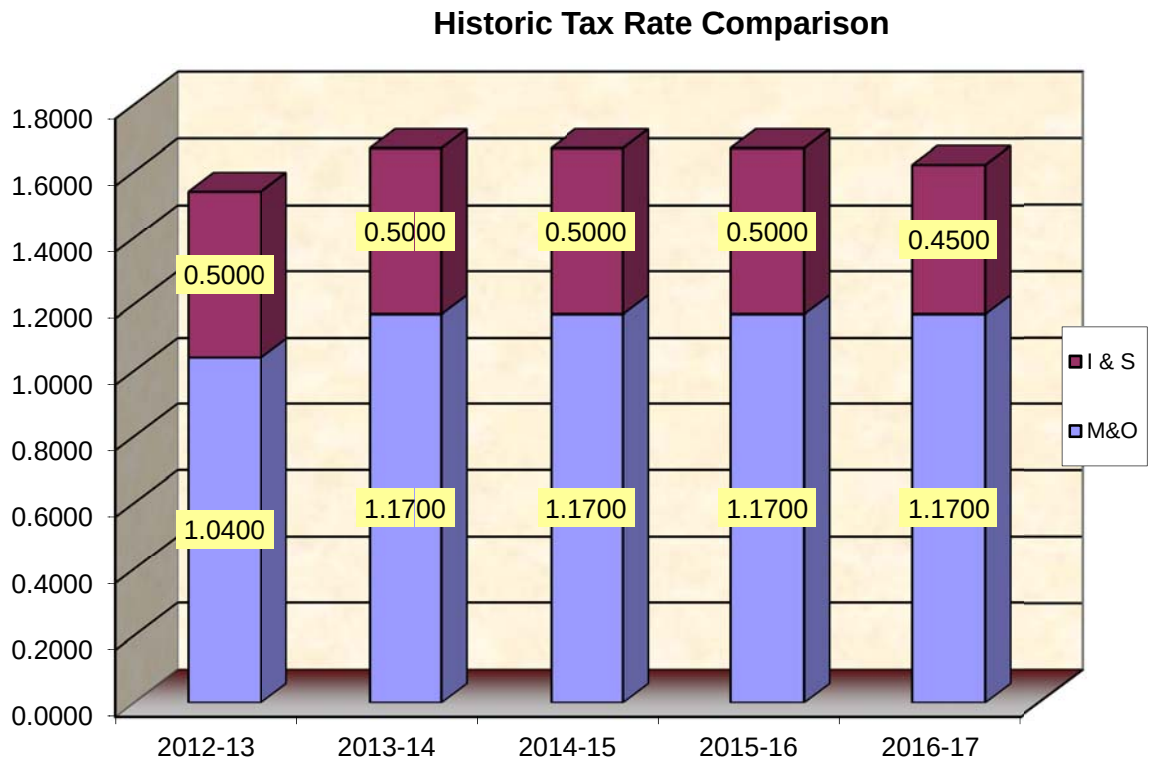


General fund expenditures for FY17 are budgeted to increase 4.4% to $216.7 million. The largest increase is expected in payroll costs due to district wide salary increases (3.5%) granted in FY17.

2016-2017 Percent of General Fund Budget by Object



The District's projected tax rate will decrease to $1.625 in 2016, with the debt portion at $0.450 and the M&O portion at $1.17. The average taxable value of an average residence is expected to increase from $239,317 in 2016 to $299,084 in 2017.



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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Business Services Group
McKinney Independent School District
#1 Duvall Street
McKinney, TX 75069
469-302-4000

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

Data Control Codes		Primary Government: Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 151,108,129
1220	Property Taxes Receivable (Delinquent)	4,533,490
1230	Allowance for Uncollectible Taxes	(135,945)
1240	Due from Other Governments	17,773,239
1250	Accrued Interest	3,506
1290	Other Receivables, net	830,200
1300	Inventories	607,405
1410	Prepayments	464,472
	Capital Assets:	
1510	Land	40,071,014
1520	Buildings, Net	419,905,685
1530	Furniture and Equipment, Net	4,014,101
1580	Construction in Progress	41,559,377
1000	Total Assets	680,734,673
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	3,557,321
1705	Deferred Outflow Related to TRS	20,822,567
1700	Total Deferred Outflows of Resources	24,379,888
	LIABILITIES	
2110	Accounts Payable	933,979
2140	Interest Payable	7,244,736
2150	Payroll Deductions & Withholdings	489,062
2160	Accrued Wages Payable	20,614,736
2200	Accrued Expenses	1,208,456
	Noncurrent Liabilities	
2501	Due Within One Year	28,790,000
2502	Due in More Than One Year	463,967,935
2540	Net Pension Liability (District's Share)	46,736,313
2000	Total Liabilities	569,985,217
	DEFERRED INFLOWS OF RESOURCES	
2602	Unavailable Revenue - Other	310,059
2605	Deferred Inflow Related to TRS	3,478,178
2600	Total Deferred Inflows of Resources	3,788,237
	NET POSITION	
3200	Net Investment in Capital Assets	44,433,335
3820	Restricted for Federal and State Programs	4,559,872
3850	Restricted for Debt Service	22,786,086
3900	Unrestricted	59,561,814
3000	Total Net Position	$ 131,341,107

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	$ 157,383,314	$ 187,694	$ 17,238,612	$ (139,957,008)
12 Instructional Resources and Media Services	5,241,209	-	170,427	(5,070,782)
13 Curriculum and Staff Development	3,064,975	-	261,677	(2,803,298)
21 Instructional Leadership	3,197,613	-	230,887	(2,966,726)
23 School Leadership	14,086,077	-	684,242	(13,401,835)
31 Guidance, Counseling and Evaluation Services	6,924,455	-	471,311	(6,453,144)
32 Social Work Services	445,361	-	10,595	(434,766)
33 Health Services	2,348,865	-	118,308	(2,230,557)
34 Student (Pupil) Transportation	7,420,525	-	7,911	(7,412,614)
35 Food Services	9,913,085	4,350,046	5,166,003	(397,036)
36 Extracurricular Activities	8,850,466	508,965	217,192	(8,124,309)
41 General Administration	4,697,093	-	167,750	(4,529,343)
51 Facilities Maintenance and Operations	19,255,898	561,410	474,387	(18,220,101)
52 Security and Monitoring Services	1,268,113	-	15,009	(1,253,104)
53 Data Processing Services	4,772,294	-	113,010	(4,659,284)
61 Community Services	2,705,634	3,137,178	48,132	479,676
72 Debt Service - Interest on Long Term Debt	19,327,293	-	-	(19,327,293)
73 Debt Service - Bond Issuance Cost and Fees	428,665	-	-	(428,665)
91 Contracted Instructional Services Between Schools	1,091,597	-	-	(1,091,597)
95 Payments to Juvenile Justice Alternative Ed. Prg.	49,920	-	-	(49,920)
99 Other Intergovernmental Charges	1,186,912	-	-	(1,186,912)
[TP] TOTAL PRIMARY GOVERNMENT:	$ 273,659,364	$ 8,745,293	$ 25,395,453	(239,518,618)

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	131,620,276
DT	Property Taxes, Levied for Debt Service	56,288,161
SF	State Aid - Formula Grants	67,949,930
GC	Grants and Contributions not Restricted	6,644,620
IE	Investment Earnings	458,859
MI	Miscellaneous Local and Intermediate Revenue	7,109,241
TR	Total General Revenues	270,071,087
CN	Change in Net Position	30,552,469
NB	Net Position - Beginning	100,788,638
NE	Net Position--Ending	$ 131,341,107

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 90,946,314	$ 21,414,417	$ 29,072,048
1220	Property Taxes - Delinquent	3,167,221	1,366,269	-
1230	Allowance for Uncollectible Taxes (Credit)	(94,957)	(40,988)	-
1240	Receivables from Other Governments	16,231,685	-	-
1250	Accrued Interest	3,506	-	-
1290	Other Receivables	646,847	46,388	115,959
1300	Inventories	607,405	-	-
1410	Prepayments	450,280	-	-
1000	Total Assets	$ 111,958,301	$ 22,786,086	$ 29,188,007
	LIABILITIES			
2110	Accounts Payable	$ 519,909	$ -	$ 157,817
2150	Payroll Deductions and Withholdings Payable	489,062	-	-
2160	Accrued Wages Payable	19,718,772	-	-
2200	Accrued Expenditures	176,281	-	946,418
2000	Total Liabilities	20,904,024	-	1,104,235
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	3,072,264	1,325,281	-
2602	Unavailable Revenue - Other	129,409	-	-
2600	Total Deferred Inflows of Resources	3,201,673	1,325,281	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3410	Inventories	607,405	-	-
3430	Prepaid Items	450,280	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3470	Capital Acquisition and Contractural	-	-	28,083,772
3480	Retirement of Long-Term Debt	-	21,460,805	-
	Assigned Fund Balance:			
3560	Claims and Judgments	50,000	-	-
3580	Self-Insurance	114,000	-	-
3590	Other Assigned Fund Balance	1,608,169	-	-
3600	Unassigned Fund Balance	85,022,750	-	-
3000	Total Fund Balances	87,852,604	21,460,805	28,083,772
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 111,958,301	$ 22,786,086	$ 29,188,007

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

Other Funds	Total Governmental Funds
$ 9,675,350	$ 151,108,129
-	4,533,490
-	(135,945)
1,541,554	17,773,239
-	3,506
21,006	830,200
-	607,405
14,192	464,472
$ 11,252,102	$ 175,184,496
$ 256,253	$ 933,979
-	489,062
895,964	20,614,736
85,757	1,208,456
1,237,974	23,246,233
-	4,397,545
180,650	310,059
180,650	4,707,604
-	607,405
6,079	456,359
4,559,872	4,559,872
-	28,083,772
-	21,460,805
-	50,000
-	114,000
-	1,608,169
5,267,527	90,290,277
9,833,478	147,230,659
$ 11,252,102	$ 175,184,496

McKINNEY

INDEPENDENT SCHOOL DISTRICT

MCKINNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

	Total Fund Balances - Governmental Funds	$	147,230,659
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 $672,501,188 and the accumulated depreciation was $177,436,834. In addition, long-term liabilities, including bonds payable of $458,160,000 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 position.		36,904,354
2	Current year capital outlays of $27,334,663 and long-term debt principal payments of $35,010,000 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 position.		62,344,663
3	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $46,736,313, a Deferred Resource Inflow related to TRS in the amount of $3,478,178, and a Deferred Resource Outflow related to TRS in the amount of $20,822,567. This amounted to a decrease in Net Position in the amount of $29,391,924.		(29,391,924)
4	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 position.		(7,244,736)
5	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes 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 increase (decrease) net position.		(61,808,366)
6	The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(16,693,543)
19	**Net Position of Governmental Activities**	$	131,341,107

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 134,588,519	$ 56,473,198	$ 106,943
5800	State Program Revenues	76,778,861	1,199,718	-
5900	Federal Program Revenues	1,009,165	-	-
5020	Total Revenues	212,376,545	57,672,916	106,943
	EXPENDITURES:			
	Current:			
0011	Instruction	122,667,665	-	3,218,464
0012	Instructional Resources and Media Services	3,705,571	-	-
0013	Curriculum and Instructional Staff Development	2,818,376	-	-
0021	Instructional Leadership	3,014,025	-	-
0023	School Leadership	12,618,083	-	-
0031	Guidance, Counseling and Evaluation Services	6,554,941	-	-
0032	Social Work Services	438,669	-	-
0033	Health Services	2,220,042	-	-
0034	Student (Pupil) Transportation	7,380,969	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	6,491,688	-	-
0041	General Administration	4,245,216	-	-
0051	Facilities Maintenance and Operations	18,351,260	-	-
0052	Security and Monitoring Services	1,180,099	-	-
0053	Data Processing Services	3,986,391	-	-
0061	Community Services	142,547	-	-
	Debt Service:			
0071	Principal on Long Term Debt	-	35,010,000	-
0072	Interest on Long Term Debt	-	19,886,331	-
0073	Bond Issuance Cost and Fees	-	314,484	114,181
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	29,419,113
	Intergovernmental:			
0091	Contracted Instructional Services Between Schools	1,091,597	-	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	49,920	-	-
0099	Other Intergovernmental Charges	1,186,912	-	-
6030	Total Expenditures	198,143,971	55,210,815	32,751,758
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	14,232,574	2,462,101	(32,644,815)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued (Regular Bonds)	-	70,450,000	30,540,000
7912	Sale of Real and Personal Property	60,509	-	195,960
7915	Transfers In	750,000	-	-
7916	Premium or Discount on Issuance of Bonds	-	10,921,689	3,272,624
8911	Transfers Out (Use)	-	-	-
8949	Other (Uses)	-	(82,363,930)	-
7080	Total Other Financing Sources (Uses)	810,509	(992,241)	34,008,584
1200	Net Change in Fund Balances	15,043,083	1,469,860	1,363,769
0100	Fund Balance - July 1 (Beginning)	72,809,521	19,990,945	26,720,003
3000	Fund Balance - June 30 (Ending)	$ 87,852,604	$ 21,460,805	$ 28,083,772

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

Other Funds	Total Governmental Funds
$ 12,490,820	$ 203,659,480
4,076,936	82,055,515
12,489,586	13,498,751
29,057,342	299,213,746
13,326,191	139,212,320
214,205	3,919,776
155,539	2,973,915
67,819	3,081,844
807,329	13,425,412
118,154	6,673,095
-	438,669
1,312	2,221,354
5,262	7,386,231
9,120,271	9,120,271
682,272	7,173,960
17,962	4,263,178
355,654	18,706,914
105,588	1,285,687
-	3,986,391
2,547,971	2,690,518
-	35,010,000
-	19,886,331
-	428,665
-	29,419,113
-	1,091,597
-	49,920
-	1,186,912
27,525,529	313,632,073
1,531,813	(14,418,327)
-	100,990,000
-	256,469
-	750,000
-	14,194,313
(750,000)	(750,000)
-	(82,363,930)
(750,000)	33,076,852
781,813	18,658,525
9,051,665	128,572,134
$ 9,833,478	$ 147,230,659

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, 2016

Total Net Change in Fund Balances - Governmental Funds	$	18,658,525
Current year capital outlays of $27,334,663 and long-term debt principal payments of $35,010,000 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 removing the current year capital outlays and debt principal payments is to increase net position.		62,344,663
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 position.		1,130,896
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(33,086,360)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(16,693,543)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 08/31/15 caused the change in the ending net position to increase in the amount of $3,382,256. Contributions made before the measurement date and during the 2014 FY were also expended in the 2015 FY and recorded as an increase in net pension expense for the district. This caused a decrease in the change in net position totaling $1,648,830. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $3,535,138. The net result is to decrease the change in net position by $1,801,712.		(1,801,712)
Change in Net Position of Governmental Activities	$	30,552,469

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

EXHIBIT D-1

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	$ 1,840	$ 508,129
Restricted Assets	14,001	-
Total Assets	15,841	$ 508,129
LIABILITIES		
Accounts Payable	-	$ 999
Due to Student Groups	-	507,130
Total Liabilities	-	$ 508,129
NET POSITION		
Restricted for Other Purposes	15,841	
Total Net Position	$ 15,841	

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

EXHIBIT D-2

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	$ 189
Total Additions	189
Change in Net Position	189
Total Net Position July 1 (Beginning)	15,652
Total Net Position June 30 (Ending)	$ 15,841

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

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 ***GASB Statement No. 56*** 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.

Pensions: The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 & Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the 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 instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C. Measurement Focus, Basis of Accounting & Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial 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 judgments 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Assets, Liabilities & Net Position or Equity

1. Deposits & 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 from the date of acquisition.

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 & 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Assets, Liabilities & Net Position or Equity *(continued)*

4. Capital Assets *(continued)*

Assets	Years
Buildings	40
Building improvements	20
Vehicles	10
Office equipment	7
Computer equipment	5

5. Vacation & 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Fund Equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Assets, Liabilities & Net Position or Equity *(continued)*

7. Fund Equity *(continued)*

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2016.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Board of Trustees delegates this authority.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

E. Assets, Liabilities & Net Position or Equity *(continued)*

7. Fund Equity *(continued)*

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventories	607,405	-	-	-	607,405
Prepaid items	450,280	-	-	6,079	456,359
Restricted:					
Debt service	-	21,460,805	-	-	21,460,805
Federal grants	-	-	-	4,559,872	4,559,872
State grants	-	-	-	-	-
Construction	-	-	28,083,772	-	28,083,772
Committed:	-	-	-	-	-
Assigned:					
Litigation and claims	50,000	-	-	-	50,000
Insurance deductibles	114,000	-	-	-	114,000
Encumbrance Carryover	1,608,169	-	-	-	1,608,169
Unassigned:	85,022,750	-	-	5,267,527	90,290,277
Total fund balances	$ 87,852,604	21,460,805	28,083,772	9,833,478	147,230,659

8. Data Control Codes

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

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this $(61,808,366) adjustment are as follows:

Deferred revenue:	
To remove the current year uncollected tax levy from unavailable revenue	$ 1,797,679
To remove prior year collectible delinquent tax levy receivable from unavailable revenue	2,599,866
	4,397,545
Long-term debt:	
Issuance of bonds	(24,780,000)
Premium on bonds	(44,827,935)
Deferred Loss on Refunding Bonds	3,557,321
	(66,050,614)
Capital assets:	
Disposal of capital assets	(155,297)
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	$ (61,808,366)

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 position 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 $(33,086,360) adjustment are as follows:

Taxes:	
To move the current year and prior year uncollected tax levy to revenue	$ 461,178
	461,178
Long-term debt:	
Current year amortization	(571,858)
Issuance of Bonds Payable	(24,780,000)
Current year premium on bonds	(14,194,313)
Current Year Deferred Loss on Refunding Bonds	6,153,930
	(33,392,241)
Capital assets:	
Disposal of capital assets	(155,297)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes to net position of governmental activities	$ (33,086,360)

NOTE 3 STEWARDSHIP, COMPLIANCE & 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.

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 non-appropriated budget special revenue funds is as follows:

June 30, 2016 Fund Balance	
Appropriated budget funds - Food Service Special Revenue Fund	$4,554,454
Nonappropriated budget funds	5,279,024
All Special Revenue Funds	$9,833,478

NOTE 3 STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY *(continued)*

B. Encumbrance Accounting

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

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits & Investments

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

At June 30, 2016, the carrying amount of the District's cash, savings, and time deposits was $8,403,526. The bank balance was $13,193,967. The District's combined deposits at June 30, 2016 and during the year ended June 30, 2016 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 $ 32,100,000.

c. The highest combined balances of cash, savings, and time deposit accounts amounted to $31,058,651 and occurred during the month of December.

d. Total amount of FDIC coverage at the time of highest combined balance was $250,000.

NOTE 4 DETAILED NOTES ON ALL FUNDS *(continued)*

A. Deposits & Investments *(continued)*

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 risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

a. Custodial Credit Risk - Deposits: In the case of deposits this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law;

a. Custodial Credit Risk - Deposits: *(continued)*
or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

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

NOTE 4 DETAILED NOTES ON ALL FUNDS *(continued)*

A. Deposits & Investments *(continued)*

b. Custodial Credit Risk - Investments: *(continued)*
of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.

c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.

d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.

e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.

f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's cash and temporary investments at June 30, 2016, were as follows:

	Fair Value
TexStar investment pool	$80,824,894
State Treasurer's investment pool	62,403,679
Cash and Certificates of Deposit	8,403,526
Total	$151,632,099

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, 2015, upon which the levy for the 2015-16 fiscal period was based, was $11,093,163,831. 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, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.17 and $0.50 per $100 valuation, respectively, for the total of $1.67 per $100 valuation.

Total tax collections for the year ended June 30, 2016, were 98.69% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled $3,072,264 and $1,325,281 for the General and Debt Service Funds, respectively.

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	Local Governments	State Entitlements	Federal Grants	Total
General	$ 97,796	16,133,889	-	16,231,685
Special revenue	-	350	1,541,204	1,541,554
Total	$ 97,796	16,134,239	1,541,204	17,773,239

NOTE 4 DETAILED NOTES ON ALL FUNDS *(continued)*

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

Primary Government	Beginning Balance	Additions	Retirements	Ending Balance
Government activities:				
Land	$ 40,071,014	-	-	40,071,014
Buildings and improvements	598,192,059	4,731,985	(480,664)	602,443,380
Furniture and equipment	14,321,360	960,056	(919,291)	14,362,125
Construction in progress	19,916,755	26,503,584	(4,860,962)	41,559,377
Totals at historical cost	672,501,188	32,195,625	(6,260,917)	698,435,896
Less accumulated depreciation for:				
Buildings and improvements	(167,559,262)	(15,312,228)	333,794	(182,537,696)
Furniture and equipment	(9,877,572)	(1,381,315)	910,863	(10,348,024)
Total accumulated depreciation	(177,436,834)	(16,693,543)	1,244,657	(192,885,720)
Governmental activities capital assets, net	$ 495,064,354	15,502,082	(5,016,260)	505,550,176

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 11,997,403
Instructional resources and media	326,183
School leadership	193,642
Student transportation	32,122
Food services	1,047,742
Extracurricular activities	1,584,323
General administration	185,120
Plant maintenance and operations	518,725
Security and monitoring services	32,609
Data processing services	775,674
Total depreciation expense	$ 16,693,543

E. Construction Commitments

At June 30, 2016, the District had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

Project Name	Budgeted Costs	Costs Incurred Through 6/30/2016
Dowell MS Renovation	$ 17,060,424	16,960,717
Malvem Elem Renovations	4,437,919	3,197,797
McKinney North HS Renovations	18,744,555	13,548,178
R. Johnson Elem Renovations	3,120,802	2,224,977
District Wide Stadium	3,411,005	2,431,828
Timbercreek	-	2,463,346
Other Miscellaneous	857,393	732,534
	$ 47,632,098	41,559,377

NOTE 4 DETAILED NOTES ON ALL FUNDS *(continued)*

F. Bonds Payable

Bonds payable activity for the year ended June 30, 2016, was as follows:

Governmental Activities Bonded Indebtedness:	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 School Bldg.	4.50	$ 67,450,000	2,270,000	-	(2,270,000)	-	-
2007 School Bldg.	4.65	52,695,000	42,225,000	-	(40,500,000)	1,725,000	1,725,000
2008 School Bldg.	4.65	50,580,000	42,010,000	-	(38,830,000)	3,180,000	1,550,000
2009 Sch. Bldg. & Ref.	4.60	58,805,000	47,780,000	-	(4,700,000)	43,080,000	4,890,000
2010 Refunding	3.46	31,110,000	18,190,000	-	-	18,190,000	-
2011 School Bldg.	3.73	48,605,000	46,475,000	-	(560,000)	45,915,000	570,000
2011 Sch. Bldg. & Ref	4.39	38,740,000	28,950,000	-	(2,255,000)	26,695,000	1,910,000
2012 Sch. Bldg. & Ref	3.02	53,975,000	53,725,000	-	(440,000)	53,285,000	500,000
2013 School Bldg.	4.00	39,305,000	38,065,000	-	(100,000)	37,965,000	250,000
2014 Sch. Bldg. & Ref	4.45	99,360,000	91,300,000	-	(13,785,000)	77,515,000	14,180,000
2015 Refunding	3.74	47,170,000	47,170,000	-	-	47,170,000	2,390,000
2015A Bldg & Ref	4.58	66,355,000	-	66,355,000	(7,780,000)	58,575,000	825,000
2016 Refunding	3.77	$ 34,635,000	-	34,635,000	-	34,635,000	-
Total bonded indebtedness			458,160,000	100,990,000	(111,220,000)	447,930,000	28,790,000
Bond Premium			33,800,538	14,194,313	(3,166,916)	44,827,935	
Total Bonds Payable			$ 491,960,538	115,184,313	(114,386,916)	492,757,935	28,790,000

General obligation bonds consist of School Building Bonds and Refunding Bonds bearing interest at 3.00 – 4.65% per annum. Interest expense for the year on all bonded indebtedness was $19,886,331.

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

Year Ending June 30	Principal	Interest	Total Requirements
2017	$ 28,790,000	19,627,084	48,417,084
2018	28,935,000	18,670,890	47,605,890
2019	29,080,000	17,380,142	46,460,142
2020	28,070,000	16,098,254	44,168,254
2021	27,135,000	14,784,518	41,919,518
2022-2026	123,120,000	55,612,706	178,732,706
2027-2031	106,905,000	29,736,867	136,641,867
2032-2036	58,115,000	10,516,445	68,631,445
2037-2040	17,780,000	1,523,718	19,303,718
Total	$ 447,930,000	183,950,624	631,880,624

Net Pension Liability Activity

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	23,860,103	26,791,159	(3,914,949)	46,736,313

NOTE 4 DETAILED NOTES ON ALL FUNDS *(continued)*

G. Defeasance of Debt

On August 13, 2015, the District issued general obligation building and refunding bonds of $66,355,000 (par value) to use for new capital additions and improvements ($30,540,000) and to advance refund a portion of the Unlimited Tax School Building Bonds ($35,815,000), Series 2006 (refunded bonds) with par value of $38,855,000. The refunding bonds were issued at par and, after paying issuance costs of $251,895 and underwriter's discount of $338,623, and receiving a premium of $9,211,634, the net proceeds were $36,121,116. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District decreased its total debt service requirements by $4,275,629, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $3,266,573. The District issued the refunding bonds in order to restructure the District's debt service payments.

On May 3, 2016, the District issued general obligation refunding bonds of $34,635,000 (par value) to advance refund a portion of the Unlimited Tax School Refunding Bonds, Series 2008 (refunded bonds) with par value of $37,355,000. The refunding bonds were issued at par and, after paying issuance costs of $174,669, underwriter's discount of $203,029, receiving a premium of $5,534,332, the net proceeds were $39,781,634. The net proceeds were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

As a result of the advance refunding, the District decreased its total debt service requirements by $5,724,090, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $5,014,633. The District issued the refunding bonds in order to restructure the District's debt service payments.

During the year, the District defeased issued 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, 2016, $76,210,000 of the bonds outstanding 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 2016, 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 & Contingencies

The District is currently involved in various litigations. 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, 2016, 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.

C. Revenues from Local & 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	Total
Property taxes	$ 131,304,329	-	56,142,930	-	187,447,259
Food sales	-	4,350,046	-	-	4,350,046
Investment income	298,385	190	53,531	106,943	459,049
Penalties, interest and other tax related income	745,461	-	276,737	-	1,022,198
Co-curricular student activities	508,965	-	-	-	508,965
Tuition and fees	187,694	3,137,178	-	-	3,324,872
Other	1,542,495	5,004,596	-	-	6,547,091
Total	$ 134,587,329	12,492,010	56,473,198	106,943	203,659,480

D. Deferred Inflow of Resources

Governmental funds report *deferred inflow of resources* 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 inflow of resources* reported in the governmental funds were as follows:

NOTE 5 OTHER INFORMATION *(continued)*

D. Deferred Inflow of Resources *(continued)*

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net tax revenue	$3,072,264	-	1,325,281	4,397,545
State textbooks		180,650		180,650
Detachment revenue	97,796	-	-	97,796
Tuition	31,613	-	-	31,613
Total	$ 3,201,673	180,650	1,325,281	4,707,604

E. Health Care Coverage

For the year ended June 30, 2016, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of $306, 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 Aetna are available for the year ended December 31, 2015, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. Defined Benefit Pension Plan

Plan Description – The District participates in a cost-sharing multiple employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701; or by calling (512) 542-6592.

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions – Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year Texas Government Code section 821.006 prohibits benefit improvements, 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 period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	2015	2016
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

FY2016 Employer Contributions	$ 3,914,949
FY2016 Member Contributions	$ 8,832,406
FY2016 NECE On-behalf Contributions	$ 6,614,487

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

As the non-employer contributing entity for public education, the State of tExas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Actuarial Assumptions - The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.5 % to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to all future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Discount Rate *(continued)*

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100.0%		8.7%

** The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

Discount Rate Sensitivity Analysis – The following schedule shows the impact of the Net Position Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used *85) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's Proportionate share of the net pension liability:	$ 73,226,994	$ 46,736,313	$ 24,671,223

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Pension Liabilities, Pension Expense & Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At August 31, 2015, McKinney Independent School District reported a liability of $46,736,313 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction of State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 46,736,313
State's proportionate share that is associated with the District	78,939,744
Total	$ 125,676,057

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.1322% which was an increase of .0428% from its proportion measured as of August 31, 2014.

For the year ended August 31, 2015, the District recognized pension expense of $11,247,643 and revenue of $11,247,643 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	$ 306,888	$ 1,796,118
Changes in actuarial assumptions	1,289,860	1,667,347
Differences between projected and actual investment earnings	6,040,647	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	9,802,916	14,713
Total as of August 31, 2015 measurement date	$ 17,440,311	$ 3,478,178
Contributions paid to TRS subsequent to the measurement date	3,382,256	-
Total as of August 31, 2015 measurement date	$ 20,822,567	$ 3,478,178

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Pension Liabilities, Pension Expense & Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (*continued)*

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31,	Pension Expense Amount
2017	$ 2,448,853
2018	2,448,853
2019	2,448,855
2020	4,272,010
2021	1,375,348
Thereafter	968,214

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3% to 2.5%
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%
3. In accordance with the observed experience, there were small adjustments in the service-based promotional /longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.5% to 2.5%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

NOTE 5 OTHER INFORMATION *(continued)*

F. Defined Benefit Pension Plan *(continued)*

Changes Since the Prior Actuarial Valuation *(continued)*

Other Demographic Assumptions *(continued)*

9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.

11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.

12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

Teacher/Employee Recruitment & Retention Program Trust

Plan Description – The District contributes to the Teacher/Employee Recruitment and Retention Program Trust. The Trust is a defined contribution retirement plan. The Trust's annual financial report and other required disclosure information are available by writing the TERRP Plan Administrator, JEM Resource Partners, 4201 Bee Caves Road, Suite C-101, Austin, Texas 78746.

Funding Policy – Under the plan provisions, the District contributes 100% of plan members contributions to their 403(b) or 457 plan, up to one-half of one percent of the plan member's gross annual compensation. District contributions for the year ended June 30, 2016 were $152,762. Plan members are 100% vested in their account after attaining five credited years of participation in the plan. Upon meeting the requirements of "qualification for unreduced retirement" in accordance with the Teacher Retirement System of Texas, obtaining normal retirement age, or upon death or permanent disability, a plan member shall be 100% vested regardless of years of service.

NOTE 5 OTHER INFORMATION *(continued)*

G. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

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 2014, 2015, and 2016. 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 June 30, 2014, 2015, and 2016, the State's contributions to TRS-Care were $1,261,430, $1,309,625 and $1,367,042 respectively, the active member contributions were $820,003, $850,283 and $888,563 respectively, and the school district's contributions were $693,849, $720,313 and $751.866 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, 2016 is estimated by TRS at $533,872.

H. Workers' Compensation Insurance

During the year ended June 30, 2016, 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 Inter-local 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 Inter-local 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.

NOTE 5 OTHER INFORMATION *(continued)*

H. Workers' Compensation Insurance *(continued)*

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 $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2015, the Fund carries a discounted reserve of $58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, member districts will have no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustee in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

NOTE 6 EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 19, 2016, the date which the financial statements were available to be issued.

McKINNEY

INDEPENDENT SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

EXHIBIT E-1

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 133,950,503	$ 133,950,503	$ 134,588,519	$ 638,016
5800	State Program Revenues	69,719,837	69,719,837	76,778,861	7,059,024
5900	Federal Program Revenues	325,000	325,000	1,009,165	684,165
5020	Total Revenues	203,995,340	203,995,340	212,376,545	8,381,205
	EXPENDITURES:				
	Current:				
0011	Instruction	126,631,599	125,912,994	122,667,665	3,245,329
0012	Instructional Resources and Media Services	3,788,784	3,792,575	3,705,571	87,004
0013	Curriculum and Instructional Staff Development	2,926,028	2,970,421	2,818,376	152,045
0021	Instructional Leadership	3,238,062	3,281,409	3,014,025	267,384
0023	School Leadership	12,824,957	13,073,102	12,618,083	455,019
0031	Guidance, Counseling and Evaluation Services	6,673,341	6,658,046	6,554,941	103,105
0032	Social Work Services	463,287	462,255	438,669	23,586
0033	Health Services	2,192,825	2,252,161	2,220,042	32,119
0034	Student (Pupil) Transportation	8,393,257	8,380,776	7,380,969	999,807
0036	Extracurricular Activities	6,708,483	6,895,948	6,491,688	404,260
0041	General Administration	4,392,651	4,438,237	4,245,216	193,021
0051	Facilities Maintenance and Operations	20,132,935	20,991,548	18,351,260	2,640,288
0052	Security and Monitoring Services	1,329,999	1,386,061	1,180,099	205,962
0053	Data Processing Services	4,072,206	4,268,355	3,986,391	281,964
0061	Community Services	149,652	153,702	142,547	11,155
	Intergovernmental:				
0091	Contracted Instructional Services Between Schools	1,400,000	1,400,000	1,091,597	308,403
0095	Payments to Juvenile Justice Alternative Ed. Prg.	250,000	75,000	49,920	25,080
0099	Other Intergovernmental Charges	1,169,307	1,186,912	1,186,912	-
6030	Total Expenditures	206,737,373	207,579,502	198,143,971	9,435,531
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,742,033)	(3,584,162)	14,232,574	17,816,736
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	60,509	60,509
7915	Transfers In	750,000	750,000	750,000	-
7080	Total Other Financing Sources (Uses)	750,000	750,000	810,509	60,509
1200	Net Change in Fund Balances	(1,992,033)	(2,834,162)	15,043,083	17,877,245
0100	Fund Balance - July 1 (Beginning)	72,809,521	72,809,521	72,809,521	-
3000	Fund Balance - June 30 (Ending)	$ 70,817,488	$ 69,975,359	$ 87,852,604	$ 17,877,245

COMBINING STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes		205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula
	ASSETS				
1110	Cash and Cash Equivalents	$ (31,586)	$ (31,066)	$ (173,307)	$ (248,225)
1240	Receivables from Other Governments	89,156	39,474	491,337	660,511
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	-	-	-
1000	Total Assets	$ 57,570	$ 8,408	$ 318,030	$ 412,286
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ 465	$ -
2160	Accrued Wages Payable	57,570	4,693	317,105	395,791
2200	Accrued Expenditures	-	3,715	460	16,495
2000	Total Liabilities	57,570	8,408	318,030	412,286
	DEFERRED INFLOWS OF RESOURCES				
2602	Unavailable Revenue - Other	-	-	-	-
2600	Total Deferred Inflows of Resources	-	-	-	-
	FUND BALANCES				
	Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 57,570	$ 8,408	$ 318,030	$ 412,286

225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	385 Visually Impaired SSVI
$ 1,895	$ (32,799)	$ 4,477,375	$ (16,838)	$ (22,837)	$ (10,798)	$ 15,475	$ -
3,655	32,799	76,297	23,365	80,024	42,269	2,317	-
-	-	3,516	-	-	-	-	-
-	-	-	-	468	-	-	-
$ 5,550	$ -	$ 4,557,188	$ 6,527	$ 57,655	$ 31,471	$ 17,792	$ -
$ -	$ -	$ -	$ 6,527	$ -	$ -	$ -	$ -
5,550	-	-	-	44,755	31,471	17,792	-
-	-	2,734	-	12,900	-	-	-
5,550	-	2,734	6,527	57,655	31,471	17,792	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,554,454	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	4,554,454	-	-	-	-	-
$ 5,550	$ -	$ 4,557,188	$ 6,527	$ 57,655	$ 31,471	$ 17,792	$ -

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes		392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund	429 Ready to Read License Plates
	ASSETS				
1110	Cash and Cash Equivalents	$ (350)	$ (2,227)	$ 175,562	$ -
1240	Receivables from Other Governments	350	-	-	-
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	7,645	-	-
1000	Total Assets	$ -	$ 5,418	$ 175,562	$ -
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	-	-	-	-
	DEFERRED INFLOWS OF RESOURCES				
2602	Unavailable Revenue - Other	-	-	175,562	-
2600	Total Deferred Inflows of Resources	-	-	175,562	-
	FUND BALANCES				
	Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	5,418	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	-	5,418	-	-
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ -	$ 5,418	$ 175,562	$ -

461 Campus Activity Funds	480 After School Program	481 Locally Funded SRF	Total Nonmajor Governmental Funds
$ 3,937,606	$ 1,295,502	$ 341,968	$ 9,675,350
-	-	-	1,541,554
17,490	-	-	21,006
6,079	-	-	14,192
$ 3,961,175	$ 1,295,502	$ 341,968	$ 11,252,10
$ 246,137	$ 3,124	$ -	$ 256,253
21,237	-	-	895,964
47,447	2,006	-	85,757
314,821	5,130	-	1,237,974
5,088	-	-	180,650
5,088	-	-	180,650
6,079	-	-	6,079
-	-	-	4,559,872
3,635,187	1,290,372	341,968	5,267,527
3,641,266	1,290,372	341,968	9,833,478
$ 3,961,175	$ 1,295,502	$ 341,968	$ 11,252,10

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula
	REVENUES:				
570	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
580	State Program Revenues	-	-	-	-
590	Federal Program Revenues	407,303	106,987	2,111,976	3,448,531
5020	Total Revenues	407,303	106,987	2,111,976	3,448,531
	EXPENDITURES:				
	Current:				
001	Instruction	395,082	43,411	2,011,937	3,388,356
001	Instructional Resources and Media Services	-	-	-	-
001	Curriculum and Instructional Staff Development	11,487	214	16,072	17,445
002	Instructional Leadership	-	53,776	-	179
002	School Leadership	-	-	-	-
003	Guidance, Counseling and Evaluation Services	-	7,783	70,460	39,911
003	Health Services	-	-	-	-
003	Student (Pupil) Transportation	-	-	991	2,640
003	Food Services	-	-	-	-
003	Extracurricular Activities	-	-	-	-
004	General Administration	-	-	-	-
005	Facilities Maintenance and Operations	-	-	-	-
005	Security and Monitoring Services	-	-	-	-
006	Community Services	734	1,803	12,516	-
6030	Total Expenditures	407,303	106,987	2,111,976	3,448,531
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
	OTHER FINANCING SOURCES (USES):				
891	Transfers Out (Use)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ -	$ -	$ -

225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	385 Visually Impaired SSVI
$ -	$ -	$ 4,349,981	$ -	$ -	$ -	$ -	$ -
-	-	45,298	-	-	-	-	2,301
32,616	209,331	5,369,071	184,486	359,959	237,400	21,926	-
32,616	209,331	9,764,350	184,486	359,959	237,400	21,926	2,301
32,616	209,331	-	175,524	287,345	193,245	21,046	2,301
-	-	-	-	-	-	-	-
-	-	-	8,962	72,614	2,025	-	-
-	-	-	-	-	12,717	880	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	1,631	-	-
-	-	9,120,271	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	248,366	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	27,782	-	-
32,616	209,331	9,368,637	184,486	359,959	237,400	21,926	2,301
-	-	395,713	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	395,713	-	-	-	-	-
-	-	4,158,741	-	-	-	-	-
$ -	$ -	$ 4,554,454	$ -	$ -	$ -	$ -	$ -

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund	429 Ready to Read License Plates
	REVENUES:				
570	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
580	State Program Revenues	2,648	13,400	4,013,260	29
590	Federal Program Revenues	-	-	-	-
5020	Total Revenues	2,648	13,400	4,013,260	29
	EXPENDITURES:				
	Current:				
001	Instruction	2,648	3,143	4,013,260	-
001	Instructional Resources and Media Services	-	-	-	29
001	Curriculum and Instructional Staff Development	-	4,839	-	-
002	Instructional Leadership	-	-	-	-
002	School Leadership	-	-	-	-
003	Guidance, Counseling and Evaluation Services	-	-	-	-
003	Health Services	-	-	-	-
003	Student (Pupil) Transportation	-	-	-	-
003	Food Services	-	-	-	-
003	Extracurricular Activities	-	-	-	-
004	General Administration	-	-	-	-
005	Facilities Maintenance and Operations	-	-	-	-
005	Security and Monitoring Services	-	-	-	-
006	Community Services	-	-	-	-
6030	Total Expenditures	2,648	7,982	4,013,260	29
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	5,418	-	-
	OTHER FINANCING SOURCES (USES):				
891	Transfers Out (Use)	-	-	-	-
1200	Net Change in Fund Balance	-	5,418	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	$ -	$ 5,418	$ -	$ -

461 Campus Activity Funds	480 After School Program	481 Locally Funded SRF	Total Nonmajor Governmental Funds
$ 4,965,921	$ 3,137,178	$ 37,740	$ 12,490,820
-	-	-	4,076,936
-	-	-	12,489,586
4,965,921	3,137,178	37,740	29,057,342
2,546,946	-	-	13,326,191
214,176	-	-	214,205
21,881	-	-	155,539
267	-	-	67,819
807,329	-	-	807,329
-	-	-	118,154
1,312	-	-	1,312
-	-	-	5,262
-	-	-	9,120,271
682,272	-	-	682,272
17,962	-	-	17,962
107,288	-	-	355,654
105,588	-	-	105,588
10,189	2,494,947	-	2,547,971
4,515,210	2,494,947	-	27,525,529
450,711	642,231	37,740	1,531,813
-	(750,000)	-	(750,000)
450,711	(107,769)	37,740	781,813
3,190,555	1,398,141	304,228	9,051,665
$ 3,641,266	$ 1,290,372	$ 341,968	$ 9,833,478

EXHIBIT F-3

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2016

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Fund	Total Private Purpose Trust Funds
ASSETS			
Cash and Cash Equivalents	$ 969	$ 871	$ 1,840
Restricted Assets	14,001	-	14,001
Total Assets	14,970	871	15,841
NET POSITION			
Restricted for Other Purposes	14,970	871	15,841
Total Net Position	$ 14,970	$ 871	$ 15,841

EXHIBIT F-4

MCKINNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	$ 29	$ 160	$ 189
Total Additions	29	160	189
Change in Net Position	29	160	189
Total Net Position July 1 (Beginning)	14,941	711	15,652
Total Net Position June 30 (Ending)	$ 14,970	$ 871	$ 15,841

McKINNEY

INDEPENDENT SCHOOL DISTRICT

REQUIRED T.E.A. STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years		(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2007	and prior years	Various	Various	$ 14,081,028,927
2008		1.040000	0.47700	8,417,974,951
2009		1.040000	0.47700	8,935,038,695
2010		1.040000	0.50000	8,942,913,766
2011		1.040000	0.48800	8,876,867,670
2012		1.040000	0.50000	8,787,242,338
2013		1.040000	0.50000	9,018,644,416
2014		1.170000	0.50000	9,536,791,078
2015		1.170000	0.50000	10,373,443,772
2016	(School year under audit)	1.170000	0.50000	11,093,163,831
100	TOTALS			

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
$ 543,336	$ -	$ 25,871	$ 7,714	$ (135,645)	$ 374,106
12,994	-	1,871	858	(1,323)	8,942
175,389	-	2,352	1,079	(724)	171,234
264,279	-	100,563	48,348	61,653	177,021
281,553	-	188,165	88,293	270,882	275,977
321,663	-	181,521	87,270	287,257	340,129
327,245	-	191,474	92,055	293,443	337,159
504,748	-	232,803	99,488	278,282	450,739
1,626,830	-	900,897	384,998	203,970	544,905
-	187,285,283	129,478,812	55,332,827	(620,366)	1,853,278
$ 4,058,037	$ 187,285,283	$ 131,304,329	$ 56,142,930	$ 637,429	$ 4,533,490

EXHIBIT G-2

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 4,606,231	$ 4,606,231	$ 4,349,981	$ (256,250)
5800	State Program Revenues	41,774	41,774	45,298	3,524
5900	Federal Program Revenues	4,999,261	5,194,903	5,369,071	174,168
5020	Total Revenues	9,647,266	9,842,908	9,764,350	(78,558)
	EXPENDITURES:				
0035	Food Services	9,222,190	10,352,357	9,120,271	1,232,086
0051	Facilities Maintenance and Operations	257,368	257,368	248,366	9,002
6030	Total Expenditures	9,479,558	10,609,725	9,368,637	1,241,088
1200	Net Change in Fund Balances	167,708	(766,817)	395,713	1,162,530
0100	Fund Balance - July 1 (Beginning)	4,158,741	4,158,741	4,158,741	-
3000	Fund Balance - June 30 (Ending)	$ 4,326,449	$ 3,391,924	$ 4,554,454	$ 1,162,530

EXHIBIT G-3

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 56,308,146	$ 56,308,146	$ 56,473,198	$ 165,052
5800	State Program Revenues	-	1,199,718	1,199,718	-
5020	Total Revenues	56,308,146	57,507,864	57,672,916	165,052
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	27,230,000	35,010,000	35,010,000	-
0072	Interest on Long Term Debt	28,828,146	20,133,707	19,886,331	247,376
0073	Bond Issuance Cost and Fees	250,000	375,226	314,484	60,742
6030	Total Expenditures	56,308,146	55,518,933	55,210,815	308,118
1100	Excess of Revenues Over Expenditures	-	1,988,931	2,462,101	473,170
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	70,450,000	70,450,000	-
7916	Premium or Discount on Issuance of Bonds	-	11,124,718	10,921,689	(203,029)
8949	Other (Uses)	-	(82,363,931)	(82,363,930)	1
7080	Total Other Financing Sources (Uses)	-	(789,213)	(992,241)	(203,028)
1200	Net Change in Fund Balances	-	1,199,718	1,469,860	270,142
0100	Fund Balance - July 1 (Beginning)	19,990,945	19,990,945	19,990,945	-
3000	Fund Balance - June 30 (Ending)	$ 19,990,945	$ 21,190,663	$ 21,460,805	$ 270,142

EXHIBIT G-4

MCKINNEY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.1322152%	0.0893256%
District's Proportionate Share of Net Pension Liability (Asset)	$ 46,736,313	23,860,103
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	78,939,744	67,991,156
Total	$ 125,676,057	$ 91,851,259
District's Covered-Employee Payroll	$ 131,822,594	133,137,785
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	35.45%	17.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT G-5

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

	2016	2015
Contractually Required Contribution	$ 4,063,118	$ 2,004,467
Contribution in Relation to the Contractually Required Contribution	(4,063,118)	(2,004,467)
Contribution Deficiency (Excess)	$ -0-	$ -0-
District's Covered-Employee Payroll	$ 136,704,162	$ 130,962,482
Contributions as a Percentage of Covered-Employee Payroll	2.97%	1.53%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

McKINNEY

INDEPENDENT SCHOOL DISTRICT

STATISTICAL SECTION

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-1

Net Position by Component
Last Ten Fiscal Years
(Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
Governmental Activities				
Net Investment in Capital Assets	$ 4,299,738	23,323,678	22,731,150	26,191,075
Restricted	34,565,113	19,615,296	19,156,712	19,897,165
Unrestricted	43,622,185	46,488,136	39,675,956	37,602,218
Total Governmental Activities	82,487,036	89,427,110	81,563,818	83,690,458
Primary Government				
Net Investment in Capital Assets	4,299,738	23,323,678	22,731,150	26,191,075
Restricted	34,565,113	19,615,296	19,156,712	19,897,165
Unrestricted	43,622,185	46,488,136	39,675,956	37,602,215
Total Net Position	$ 82,487,036	89,427,110	81,563,818	83,690,455

Source: Statement of Net Position McKinney Independent School District Financial Reports

2011	2012	2013	2014	2015	2016
20,619,960	22,444,064	24,314,409	25,773,308	33,022,837	44,433,335
20,441,021	21,774,829	23,117,946	24,855,650	25,329,735	27,345,958
53,784,869	61,278,447	52,770,019	60,236,148	42,436,066	59,561,814
94,845,850	105,497,340	100,202,374	110,865,106	100,788,638	131,341,107
20,619,960	22,444,064	24,314,409	25,773,308	33,022,837	44,433,335
20,441,021	21,774,829	23,117,946	24,855,650	25,329,735	27,345,958
53,784,869	61,278,447	52,770,019	60,236,148	42,436,066	59,561,814
94,845,850	105,497,340	100,202,374	110,865,106	100,788,638	131,341,107

MCKINNEY IDEPENDENT SCHOOL DISTRICT

Exhibit S-2

Change in Net Position
Last Ten Fiscal Years
(Unaudited)
(Accrual Basis of Accounting)

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental Activities:				
Instruction	$ 103,241	116,359	134,721	136,000
Instructional Resources & Media Services	3,539	4,664	4,163	3,964
Curriculum & Instructional Staff Development	1,428	1,913	3,239	3,347
Instructional Leadership	3,081	3,555	2,842	3,232
School Leadership	9,455	10,428	11,776	12,408
Guidance, Counseling & Evaluation Services	4,679	5,255	5,664	5,951
Social Work Services	265	270	355	550
Health Services	1,506	1,732	1,957	1,995
Student (Pupil) Transportation	5,614	5,833	6,758	7,296
Food Services	7,280	7,892	8,471	8,745
Cocurricular/Extracurricular Activities	6,453	6,617	7,960	7,056
General Administration	4,110	3,731	4,230	4,534
Facilities Maintenance & Operations	15,374	17,452	17,502	17,495
Security & Monitoring Services	419	622	601	784
Data Processing Services	6,320	9,856	3,746	3,715
Community Services	2,751	3,239	3,693	3,268
Interest on Long Term Debt	19,817	19,282	23,806	21,352
Bond Issuance Cost & Fees	56	223	67	78
Contracted Instructional Services Between Schools	-	-	-	-
Payments to Fiscal Agent/Member Districts of SSA	2	395	-	-
Payments to Juvenile Justice Alternative Ed. Prg.	106	-	412	138
Other Intergovernmental Charges	-	793	874	874
Total Governmental Activities Expenses	$ 195,496	220,111	242,837	242,782
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
Instruction	$ 961	900	923	403
Food Service	4,283	4,455	4,490	4,674
Cocurricular/Extracurricular Activities	565	586	607	595
Plant Maintenance & Operations	732	771	862	761
Community Services	2,596	3,127	3,187	3,047
Operating Grants & Contributions	15,317	16,888	18,665	25,896
Total Governmental Activities Program Revenue	24,454	26,727	28,734	35,376
NET (EXPENSE)/REVENUE				
Total Primary Government Net Expense	(171,042)	(193,384)	(214,103)	(207,406)

2011	2012	2013	2014	2015	2016
134,301	133,425	133,579	140,828	151,572	157,383
4,196	3,807	3,877	4,138	4,279	5,241
3,059	2,510	2,508	2,690	2,870	3,065
3,091	2,560	2,730	2,812	2,876	3,198
12,559	12,153	12,188	12,806	13,465	14,086
5,984	5,715	5,806	6,154	6,637	6,924
372	275	328	416	448	445
2,070	1,811	1,859	1,944	2,151	2,349
7,572	8,051	8,267	7,547	7,350	7,421
8,545	8,957	8,959	9,210	9,653	9,913
7,301	6,812	7,155	7,837	8,232	8,850
4,401	3,769	3,692	4,168	4,103	4,697
18,584	17,511	18,142	18,597	18,178	19,256
799	811	1,437	1,171	1,050	1,268
3,629	3,700	7,032	5,009	4,269	4,772
2,702	2,183	2,262	2,241	2,545	2,705
20,359	21,068	22,070	20,379	22,028	19,328
66	89	221	178	556	429
-	-	-	-	348	1,092
-	-	-	-	-	-
138	118	123	208	75	50
877	860	895	993	1,083	1,187
240,605	236,185	243,130	249,326	263,768	273,659
236	299	357	217	283	188
4,257	4,528	4,472	4,560	4,296	4,350
565	466	535	491	577	509
703	685	648	658	590	561
2,739	2,640	2,749	2,755	3,008	3,137
26,800	24,007	19,802	20,785	24,101	25,395
35,300	32,625	28,563	29,466	32,855	34,140
(205,305)	(203,560)	(214,567)	(219,860)	(230,913)	(239,519)

MCKINNEY IDEPENDENT SCHOOL DISTRICT
Change in Net Position
Last Ten Fiscal Years
(Unaudited)
(Accrual Basis of Accounting)
(continued)

	Fiscal Year			
	2007	2008	2009	2010
GENERAL REVENUES & OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Taxes:				
Property Taxes Levied for General Purposes	$ 101,944	88,444	93,258	92,757
Property Taxes Levied for Debt Service	35,063	40,567	42,782	44,578
State Aid-Formula Grants	40,778	60,753	63,106	65,157
Unrestricted Grants & Contributions	957	266	209	858
Investment Earnings	7,173	4,934	2,185	648
Miscellaneous Local & Intermediate Revenue	4,357	5,359	4,699	5,535
Extraordinary Item	-	-	-	-
Total General Revenue	190,272	200,323	206,239	209,533
Change in Net Position (Deficit)	19,230	6,939	(7,864)	2,127

Source: Statement of Activities McKinney Independent Schoold District Annual Financial Reports

2011	2012	2013	2014	2015	2016
92,528	92,874	93,687	111,279	121,443	131,620
43,421	44,660	45,107	47,554	51,929	56,288
73,659	69,751	63,769	65,240	66,112	67,950
832	620	211	303	813	6,645
263	194	182	105	143	459
5,758	6,111	8,144	6,042	7,086	7,109
-	-	(700)	-	700	-
216,461	214,210	210,400	230,523	248,226	270,071
11,156	10,650	(4,167)	10,663	17,313	30,552

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Unaudited)

Exhibit S-3

	Fiscal Year			
	2007	2008	2009	2010
General Fund:				
Nonspendable	$ -	-	-	-
Reserved	915	1,002	941	977
Assigned	-	-	-	-
Unreserved Designated	1,059	297	89	420
Unassigned	-	-	-	-
Unreserved	47,693	51,897	48,451	48,751
Total General Fund	$ 49,667	53,196	49,481	50,148
All Other Governmental Funds:				
Nonspendable	$ -	-	-	-
Reserved	-	1	64	-
Restricted:				
Debt Service	15,119	17,048	16,119	17,211
Capital Projects	18,662	7,335	48,624	26,277
Food Service	783	1,018	1,090	1,143
Federal Special Revenue	-	-	-	43
State Special Revenue	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unreserved Designated	-	-	-	-
Unreserved, Reported in:				
Special Revenue Funds	2,268	2,973	2,734	2,335
Capital Project Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Total All Other Governmental Funds	$ 36,832	28,375	68,631	47,009
Total Governmental Funds	$ 86,499	81,571	118,112	97,157

* Fiscal year 2011, the District implemented GASB 54 which changed the fund balance classification to Nonspendable, Restricted, Committed, Assigned and Unassigned.

Source: McKinney ISD Annual Financial Reports

2011*	2012	2013	2014	2015	2016
847	832	1,178	1,228	1,152	1,058
-	-	-	-	-	-
10,933	28,824	1,248	240	1,064	1,772
-	-	-	-	-	-
43,910	32,701	52,027	58,630	70,593	85,023
-	-	-	-	-	-
55,690	62,357	54,453	60,098	72,809	87,853
69	29	107	532	675	6
-	-	-	-	-	-
17,338	18,551	19,289	20,064	19,991	21,461
12,947	32,188	10,483	24,898	26,062	28,084
1,648	2,083	2,703	3,603	4,159	4,559
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12	-	-	-	-
-	-	-	-	-	-
2,201	2,905	3,478	4,260	4,876	5,268
-	-	-	-	-	-
-	-	-	-	-	-
34,203	55,768	36,060	53,357	55,763	59,378
89,893	118,125	90,513	113,455	128,572	147,231

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-4

Governmental Funds - Revenues
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Federal Sources				
Federal Grants	$ 6,845	6,526	6,840	15,908
Food Services	2,582	2,870	3,056	3,564
Total Federal Sources	9,427	9,396	9,896	19,472
State Sources				
State Education Finance Program	45,074	65,845	69,170	71,391
State Grants & Other	2,550	2,667	2,914	1,047
Total State Sources	47,624	68,512	72,084	72,438
Local Sources				
Ad Valorem Taxes	139,010	130,756	136,835	139,104
Food Service Sales	4,283	4,455	4,490	4,674
Interest & Other Income	7,174	4,934	2,185	648
Other Revenue	7,810	9,435	9,184	9,069
Total Local Sources	158,277	149,580	152,694	153,495
Total Revenues	$ 215,328	227,488	234,674	245,405

2011	2012	2013	2014	2015	2016
16,448	11,333	7,141	7,445	8,331	8,130
3,739	4,330	4,533	4,822	5,203	5,369
20,187	15,663	11,674	12,267	13,534	13,499
80,003	76,610	70,630	73,050	74,350	77,916
1,102	2,106	1,479	1,011	3,144	4,139
81,105	78,716	72,109	74,061	77,494	82,055
136,662	139,582	139,521	159,375	174,461	188,469
4,256	4,528	4,472	4,560	4,296	4,350
263	205	193	105	143	459
9,010	9,209	10,807	9,074	10,562	10,381
150,191	153,524	154,993	173,114	189,462	203,659
251,483	247,903	238,776	259,442	280,490	299,213

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-5

Governmental Funds - Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Expenditures				
Instruction & Instructional Related Services	$ 94,964	110,031	122,891	131,949
Instructional & School Leadership	12,398	13,820	14,462	15,376
Support Services - Student	23,316	25,623	27,820	29,503
Administrative Support Services	4,060	3,530	4,101	4,402
Support Services - Nonstudent	19,857	22,335	20,438	20,836
Ancillary Services	2,752	3,244	3,693	3,268
Debt Service - Principal on Long-Term Debt	16,652	21,818	21,542	22,195
Debt Service - Interest on Long-Term Debt	19,394	20,558	21,768	21,506
Debt Service - Bond Issuance Cost & Fees	18	185	424	165
Facilities Acquisition & Construction	64,759	63,217	35,168	15,968
Intergovernmental Charges	108	1,188	1,286	1,013
Total Expenditures	$ 258,278	285,549	273,593	266,181
Capital Expenditures	$ 64,759	63,217	35,168	15,968
Debt Service as a Percentage of Noncapital Expenditures	18.6%	19.1%	18.3%	17.5%

2011	2012	2013	2014	2015	2016
129,828	128,604	128,497	132,774	144,966	146,106
15,488	14,413	14,738	15,276	16,133	16,507
29,366	29,623	30,501	30,702	32,630	33,014
4,196	3,660	3,586	3,804	3,945	4,263
21,616	20,572	21,024	22,318	22,164	23,979
2,702	2,183	2,263	2,261	2,544	2,691
22,680	23,350	23,680	25,270	31,045	35,010
20,827	19,738	21,052	21,680	20,706	19,886
-	353	221	178	556	429
11,380	24,364	55,678	21,480	23,991	29,419
1,015	978	1,018	1,201	1,506	2,328
259,098	267,838	302,258	276,944	300,186	313,632
11,380	24,364	55,678	21,480	23,991	29,419
17.6%	17.8%	18.2%	18.4%	18.9%	19.5%

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-6

Governmental Funds - Other Financing Sources and Uses
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2007	2008	2009	2010
Excess of Revenues Over/(Under) Expenditures	$ (42,949)	(58,062)	(38,919)	(20,775)
Other Financing Sources/(Uses)				
Capital Related Debt Issued (Regular Bonds)	-	52,695	109,049	30,948
Sale of Real & Personal Property	263	9	-	-
Transfers In	204	100	-	839
Premium or Discount on Bonds Issued	-	428	3,726	2,936
Transfers Out/(Use)	(204)	(100)	-	(839)
Other/(Uses)	-	-	(37,315)	(34,062)
Other Revenue	-	-	-	-
Total Other Financing Sources/(Uses)	263	53,132	75,460	(178)
Extraordinary Items	-	-	-	-
Net Change in Fund Balances	$ (42,686)	(4,930)	36,541	(20,953)

2011	2012	2013	2014	2015	2016
(7,617)	(19,934)	(63,482)	(17,503)	(19,696)	(14,418)
-	87,345	53,975	39,305	146,530	100,990
353	7	1,349	276	449	257
164	300	400	400	400	750
(164)	5,279	9,005	864	14,481	14,194
-	(300)	(400)	(400)	(400)	(750)
-	(44,466)	(27,758)	-	(127,348)	(82,364)
-	-	-	-	700	-
353	48,165	36,571	40,445	34,812	33,077
-	-	(700)	-	-	-
(7,264)	28,231	(27,611)	22,942	15,116	18,659

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-7

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

Fiscal Year Ended June 30	Actual Value					
	Single Family Property	Multi Family Property	Vacant Lot Tracts	Acreage (Land Only)	Commercial & Industrial (Real)	Utilities
2007	$ 5,158,364	279,665	168,623	858,152	1,156,890	130,420
2008	5,746,226	320,684	146,771	1,079,598	1,342,346	130,340
2009	6,058,556	365,076	165,001	1,158,244	1,500,828	131,344
2010	6,097,293	348,051	162,932	1,091,632	1,633,885	125,972
2011	6,065,707	374,123	153,249	998,449	1,671,404	122,132
2012	6,131,691	422,857	137,204	929,277	1,656,554	120,370
2013	6,204,927	460,090	118,401	930,479	1,658,352	122,954
2014	6,600,515	508,953	118,611	840,887	1,693,637	128,555
2015	7,374,821	583,332	127,437	876,987	1,773,553	144,172
2016	$ 8,352,915	643,492	134,105	947,620	1,937,808	148,631

Commercial & Industrial (Personal)	Other	Less: Exemptions	Less: Adjustments	Total Assessed Value	Total District Rate
738,732	339,061	(1,286,756)	(85,276)	7,457,875	1.8410
806,132	440,387	(1,529,268)	(65,241)	8,417,975	1.5170
928,346	343,497	(1,593,839)	(122,015)	8,935,038	1.5170
860,391	263,790	(1,531,780)	(109,253)	8,942,913	1.5400
874,511	224,469	(1,477,930)	(129,247)	8,876,867	1.5280
849,405	238,164	(1,398,225)	(300,055)	8,787,242	1.5400
813,083	247,208	(1,418,567)	(118,283)	9,018,644	1.5400
855,378	374,770	(1,412,607)	(171,908)	9,536,791	1.6700
879,732	390,200	(1,520,011)	(256,779)	10,373,444	1.6700
927,063	326,698	(1,987,158)	(338,011)	11,093,163	1.6700

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-8

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

	District Direct Rates			Overlapping Rates		
Fiscal Year	Maintenance & Operations	Debt Service	Total	City of Allen	Collin County	Collin College
2007	1.3700	0.4710	1.8410	0.5580	0.2450	0.0877
2008	1.0400	0.4770	1.5170	0.5570	0.2450	0.0870
2009	1.0400	0.4770	1.5170	0.5560	0.2425	0.0865
2010	1.0400	0.5000	1.5400	0.5550	0.2425	0.0863
2011	1.0400	0.4880	1.5280	0.5540	0.2400	0.0863
2012	1.0400	0.5000	1.5400	0.5530	0.2400	0.0863
2013	1.0400	0.5000	1.5400	0.5520	0.2400	0.0863
2014	1.0400	0.5000	1.5400	0.5500	0.2375	0.0836
2015	1.1700	0.5000	1.6700	0.5400	0.2350	0.0820
2016	1.1700	0.5000	1.6700	0.5300	0.2250	0.0820

Town of Fairview	City of Lucas	City of McKinney	City of Princeton
0.3450	0.3750	0.5880	0.6497
0.3650	0.3750	0.5855	0.6496
0.3650	0.3742	0.5855	0.7284
0.3650	0.3742	0.5855	0.7284
0.3650	0.3742	0.5855	0.7284
0.3600	0.3742	0.5855	0.7284
0.3600	0.3742	0.5855	0.7569
0.3600	0.3556	0.5855	0.7390
0.3599	0.3207	0.5830	0.7218
0.3599	0.3207	0.5830	0.6919

McKINNEY

INDEPENDENT SCHOOL DISTRICT

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-9

Principal Property Taxpayers
June 30, 2016
(Amounts Expressed in Thousands)

	2016		
Taxpayer	Taxable Value	Rank	Percentage of Total Taxable Value
Encore Wire Ltd.	$ 126,284,170	1	1.09%
Oncor Electric Delivery Company	81,409,808	2	0.70%
Fairways Wilson Creek Apartments, LLC	48,733,905	3	0.42%
Columbia Medial Center of McKinney	45,284,370	4	0.39%
West Eldorado TX Partners, LLC	44,370,836	5	0.38%
AREG Grassmere TX Partners, LLC	44,171,333	6	0.38%
Raytheon TI Systems	42,290,833	7	0.37%
Western Rim Investors	40,016,152	8	0.35%
Texas Instruments, Inc.	37,901,156	9	0.33%
Covington Cameron Acquisition, LLC	37,722,439	10	0.33%
Total	$ 548,185,002		4.74%
Total Taxable Value	$ 11,552,699,839		

	2007		
Taxpayer	Taxable Value	Rank	Percentage of Total Taxable Value
Encore Wire Limited	$ 71,844,644	1	0.95%
TXU Electric Delivery Company	71,523,176	2	0.79%
Blockbuster	59,751,761	3	0.57%
Columbia Medical Ctr of McKinney	42,770,289	4	0.56%
Texas Instruments Inc	37,651,118	5	0.50%
Saxon Woods Associates, LP	35,352,387	6	0.47%
EDS Information Systems	33,816,097	7	0.45%
Cameron Crossing Investors LTD	31,350,465	8	0.42%
Raytheon TI Systems	30,732,081	9	0.41%
Southwestern Bell Telephone	26,236,200	10	0.35%
Total	$ 441,028,218		5.47%
Total Taxable Value	$ 7,543,150,749		

Source: McKinney ISD Official Bond disclosure statements

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Property Tax Levies and Collections

Last Ten Fiscal Years

Exhibit S-10

Fiscal Year Ended	Original Amount Levied	Supplements & Corrections	Total Adjusted Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount	Percent of Levy
2007	$ 137,299,482	(107,042)	137,192,440	133,794,544	97.45%
2008	127,700,680	1,388,581	129,089,261	126,378,774	98.96%
2009	135,544,537	875,724	136,420,261	133,115,487	98.21%
2010	137,720,872	(296,034)	137,424,838	134,835,473	97.90%
2011	135,638,538	543,667	136,182,205	133,801,331	98.65%
2012	138,087,595	202,824	138,290,419	136,414,988	98.79%
2013	139,004,880	44,665	139,049,545	137,385,587	98.84%
2014	159,264,411	28,473	159,292,884	157,062,371	98.62%
2015	173,236,511	(430,345)	172,806,166	170,975,366	98.69%
2016	$ 187,285,283	(620,366)	186,664,917	184,811,639	98.68%

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percent of Levy
3,397,040	137,191,584	100.00%
2,701,545	129,080,319	99.99%
3,133,540	136,249,027	99.87%
2,412,344	137,247,817	99.87%
2,104,897	135,906,228	99.80%
1,535,302	137,950,290	99.75%
1,326,799	138,712,386	99.76%
1,779,774	158,842,145	99.72%
1,285,895	172,261,261	99.68%
-	184,811,639	99.01%

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-11

Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)
(Dollars in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities: Unlimited Tax Bonds[2]	Governmental Activities: Loans Payable	Total Primary Government	Resources Restricted for Debt Service	Net Bonded Debt Outstanding	Gross Bonded Debt as % of Personal Income[1]
2007	$ 386,205	2,377	388,582	15,119	373,463	11%
2008	425,062	-	425,062	17,048	408,014	11%
2009	481,087	-	481,087	16,119	464,968	13%
2010	458,413	-	458,413	17,211	441,202	12%
2011	435,432	-	435,432	17,338	418,094	10%
2012	461,311	-	461,311	18,551	442,760	10%
2013	474,748	-	474,748	19,289	455,459	10%
2014	487,801	-	487,801	20,064	467,737	10%
2015	491,961	-	491,961	19,991	471,970	9%
2016	$ 447,930	-	447,930	21,461	426,469	7%

1 Refer to Exhibit S-14, Demographic & Economic Statistics for per capita personal income information
2 Unlimited tax bonds equals GO Bonds Payable plus bond premium

Gross Bonded Debt Per Capita	Net Bonded Debt as % of Assessed Value	Net Bonded Debt Per Capita
3,706	5.01%	3,562
3,955	4.86%	3,797
4,355	5.20%	4,209
3,496	4.93%	3,365
3,156	4.71%	3,031
3,215	5.04%	3,086
3,183	5.05%	3,053
3,109	4.90%	2,981
3,020	4.55%	2,897
2,730	3.80%	2,599

McKINNEY INDEPENDENT SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
(Unaudited)
(Amounts Expressed in Thousands)

Exhibit S-12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable	Estimated Share of Direct & Overlapping Debt
City of Allen	$ 87,045	0.17%	$ 148
Collin County	366,955	12.37%	45,392
Collin College	16,910	12.37%	2,092
Town of Fairview	23,610	34.85%	8,228
City of Lucas	11,025	6.35%	700
City of McKinney	234,880	72.27%	169,748
City of Princeton	18,430	2.70%	498
Subtotal, Overlapping Debt			$ 226,806
District Gross Bonded Debt			447,930
Total Direct & Overlapping Debt			$ 674,736

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district.

Source: McKinney ISD Bond Disclosure Statement

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Exhibit S-13

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)
(Amounts Expressed in Thousands)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a % of Debt Limit	Assessed Values
2007	$ 745,788	373,463	372,325	50.08%	7,457,875
2008	841,798	409,014	432,784	48.59%	8,417,975
2009	893,504	464,968	428,536	52.04%	8,935,038
2010	894,291	441,202	453,089	49.34%	8,942,913
2011	887,687	418,094	469,593	47.10%	8,876,867
2012	878,724	442,760	435,964	50.39%	8,787,242
2013	901,864	455,459	446,405	50.50%	9,018,644
2014	953,679	467,737	485,942	49.05%	9,536,791
2015	1,037,344	471,960	565,384	45.50%	10,373,443
2016	$ 1,121,469	426,469	695,000	38.03%	11,214,688

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed Value	$ 11,214,688
Debt Limit (10% of Assessed Value)	1,121,469
Total Bonded Debt	447,930
Less: Reserve for Retirement of Debt	21,461
Debt Applicable to Limit	426,469
Legal Debt Margin	$ 695,000

MCKINNEY IDEPENDENT SCHOOL DISTRICT

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Exhibit S-14

Fiscal Year	Population	Personal Income (in Thousands)	Per Capita Personal Income	Unemployment Rate
2007	104,853	$ 3,550,441	$ 33,861	4.00%
2008	107,723	3,571,235	33,152	4.60%
2009	110,480	3,672,939	33,245	7.20%
2010	131,117	3,695,909	28,188	6.90%
2011	137,954	4,006,271	29,041	6.60%
2012	143,469	4,275,845	29,803	5.90%
2013	149,160	4,430,467	29,703	5.40%
2014	156,898	4,770,450	30,405	4.50%
2015	162,898	5,528,921	33,941	3.60%
2016	164,066	5,858,141	35,706	3.00%

Sources: Population estimates were provided by the District with the exception of 2010 which was obtained from the U.S. Census Bureau. Personal income figures were obtained from the U.S. Census Bureau. Unemployment rates were provided by the Texas Workforce Commission.

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Principal Employers

Current Year and Nine Years Ago

Exhibit S-15

Employer	Employees	Rank	Percentage of Total District Employment
	2016		
Raytheon	2,725	1	3.41%
McKinney ISD	2,680	2	3.35%
Collin County	1,668	3	2.09%
Encore Wire	1,500	4	1.88%
Torchmark/United American Insurance	1,371	5	1.72%
City of McKinney	918	6	1.15%
Medical Center of McKinney	900	7	1.13%
Collin College	690	8	0.86%
Baylor Medical Center of McKinney	614	9	0.77%
Timber Blinds	425	10	0.53%
Total	13,491		16.89%
	2007		
Raytheon	2,980	1	5.80%
McKinney Independent School District	2,223	2	4.32%
Collin County	1,600	3	3.11%
Wal-Mart (3 locations) & Sam's Club (1)	1,348	4	2.62%
Lattimore Materials	1,100	5	2.14%
Blockbuster Entertainment	955	6	1.86%
McKinney Medical Center	950	7	1.85%
City of McKinney	835	8	1.62%
Encore Wire	800	9	1.56%
Torchmark Company	729	10	1.42%
Total	13,520		26.30%

Sources:
Texas Workforce Commission provided total labor force numbers - 2016 (79,912); 2007 (51,379)
2007 data from the McKinney Chamber of Commerce
2016 data from McKinney Economic Development Corporation.

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Full-Time Equivalent District Employees by Type
Last Ten Fiscal Years
(Unaudited)

Exhibit S-16

	Fiscal Year			
	2007	2008	2009	2010
Instruction				
Teachers	1,443	1,587	1,663	1,692
Librarians	22	23	27	24
Educational Aides	208	194	209	208
	1,673	1,804	1,899	1,924
Campus Administration				
Principal	27	25	29	30
Assistant Principal	41	49	50	52
Instructional Officer	26	30	42	-
Athletic Director	2	2	-	-
	96	106	121	82
Student Services				
Audiologist	-	-	-	-
Counselor	43	42	54	50
Educational Diagnostician	15	16	13	16
Occupational Therapist	3	3	2	3
Certified Orientation & Mobility Specialist	1	1	6	2
Phyiscal Therapist	1	1	-	-
School Nurse	26	28	28	30
LSSP/Psychologist	7	9	8	8
Speech Therapist/Language Pathologist	27	27	30	31
Truant Officer	-	-	-	-
Work Based Learning Site Coordinator	1	1	-	1
Teacher Facilitator	9	8	2	29
Department Head	-	7	1	-
Athletic Trainer	4	4	3	3
Campus Professional Personnel	34	38	41	1
Other Non-Instructional District Prof. Personnel	-	-	-	54
	171	185	188	228
Support & Administration				
Superintendent, Deputy, Assoc. & Assistant	5	5	6	7
Business Manager	1	1	1	1
District Instr. Prog. Director/Exec. Director	-	-	-	25
Auxiliary Staff	314	346	503	325
Athletic Director	3	3	4	3
Teacher Supervisor	-	2	-	7
	323	357	514	368
Total	2,263	2,452	2,722	2,602

2011	2012	2013	2014	2015	2016
1,688	1,612	1,631	1,649	1,651	1,671
25	24	23	26	25	24
210	225	224	232	227	241
1,923	1,861	1,878	1,907	1,903	1,936
31	30	30	30	32	30
53	51	51	51	49	54
1	-	-	-	-	-
-	2	1	2	1	-
85	83	82	83	82	84
-	-	1	1	1	-
50	48	45	43	48	47
14	14	14	14	14	14
3	3	3	4	4	3
2	-	1	1	1	1
-	-	-	-	-	1
30	29	29	29	29	30
9	10	11	13	13	12
33	33	29	34	34	33
-	1	1	1	-	-
1	-	-	-	-	-
29	30	21	31	56	68
4	16	16	16	18	16
5	6	4	4	2	3
3	6	7	5	1	5
57	46	43	46	47	50
240	242	225	242	268	283
7	7	7	7	7	8
1	1	1	1	1	1
23	16	15	19	23	24
343	325	329	324	331	336
2	2	2	2	2	2
7	7	6	5	6	10
383	358	360	358	370	381
2,631	2,544	2,545	2,590	2,623	2,684

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Operating Statistics

Last Ten Fiscal Years

Exhibit S-17

Fiscal Year	Enrollment[1]	Operating Expenditures[2]	Cost Per Pupil	Percentage Change	Expenditures Excluding Recapture	Cost Per Pupil
2007	21,289	$ 158,199,374	$ 7,431	-	-	-
2008	22,426	179,864,168	8,020	7.93%	-	-
2009	23,401	194,756,758	8,323	3.77%	-	-
2010	23,933	199,698,583	8,344	0.26%	-	-
2011	24,422	20,879,438	8,266	-0.93%	-	-
2012	24,733	194,780,711	7,875	-4.73%	-	-
2013	24,433	197,973,025	8,103	2.89%	-	-
2014	24,655	204,400,227	8,290	2.32%	-	-
2015	24,811	215,105,328	8,670	4.58%	214,669,726	8,652
2016	24,765	225,669,500	9,112	5.11%	224,607,903	9,070

1 Enrollment is as of the October reporting date to Texas Education Agency (TEA) through the Public Education Information System (PIEMS)

2 Operating expenditures are total governmental fund expenditures less debt service and capital projects.

Percentage Change	Teaching Staff	Pupil Teacher Ratio	Percentage of Students Receiving Free or Reduced Price Meals
-	1,443	14.8	23.9%
7.93%	1,587	14.1	23.8%
3.77%	1,663	14.1	23.7%
0.26%	1,692	14.1	26.8%
-0.93%	1,688	14.5	28.3%
-4.73%	1,612	15.3	29.0%
2.89%	1,631	15.0	29.6%
2.32%	1,649	15.0	30.3%
4.37%	1,651	15.0	30.9%
4.82%	1,671	14.8	30.7%

McKINNEY

INDEPENDENT SCHOOL DISTRICT

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Teacher Base Salaries

Last Ten Fiscal Years

(Unaudited)

Exhibit S-18

Fiscal Year	Minimum Salary	Maximum Salary	District Average Salary	Statewide Average Salary
2007	$ 41,500	$ 59,000	$ 45,120	$ 44,897
2008	43,000	60,500	46,736	46,178
2009	44,000	62,000	47,891	47,158
2010	44,900	63,400	49,384	48,263
2011	45,100	64,100	49,743	48,639
2012	44,800	64,100	49,519	46,361
2013	45,500	65,100	50,259	48,821
2014	46,450	66,350	51,091	49,692
2015	47,650	67,850	52,283	50,715
2016	49,000	63,000	53,456	51,892

Source: McKinney ISD Compensation Plans
TEA PIEMS standard reports

MCKINNEY INDEPENDENT SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)

Exhibit S-19

			Fiscal Year			
			2007	2008	2009	2010
SCHOOLS						
Elementary						
Finch Elementary						
Site	7.85 acres	Square Feet	68,789	68,789	68,789	68,789
Opened	1938	Enrollment	598	648	546	502
Webb Elementary						
Site	6.0 acres	Square Feet	83,035	83,035	83,035	83,035
Opened	1953	Enrollment	536	553	565	394
Burks Elementary						
Site	5.41 acres	Square Feet	54,678	54,678	54,678	54,678
Opened	1954	Enrollment	416	409	444	419
Caldwell Elementary						
Site	5.641 acres	Square Feet	76,366	76,366	76,366	76,366
Opened	1961	Enrollment	500	506	533	451
Slaughter Elementary						
Site	9.194 acres	Square Feet	92,999	92,999	92,999	92,999
Opened	1975	Enrollment	614	625	721	727
Valley Creek Elementary						
Site	8.492 acres	Square Feet	69,052	69,052	69,052	69,052
Opened	1992	Enrollment	614	680	642	606
Glen Oaks Elementary						
Site	9.285 acres	Square Feet	68,052	68,052	68,052	68,052
Opened	1994	Enrollment	730	714	675	628
Johnson Elementary						
Site	7.432 acres	Square Feet	67,228	67,228	67,228	67,228
Opened	1995	Enrollment	826	711	697	726
Eddins Elementary						
Site	8.0 acres	Square Feet	69,052	69,052	69,052	69,052
Opened	1998	Enrollment	648	661	669	673
Walker Elementary						
Site	10.678 acres	Square Feet	67,229	67,229	67,229	67,229
Opened	2001	Enrollment	729	635	657	626
Wolford Elementary						
Site	9.15 acres	Square Feet	69,052	69,052	69,052	69,052
Opened	2001	Enrollment	675	715	698	677
McNeil Elementary						
Site	12.603 acres	Square Feet	68,788	68,788	68,788	68,788
Opened	2001	Enrollment	669	550	514	509

2011	2012	2013	2014	2015	2016
68,789	68,789	68,789	68,789	68,789	68,789
480	467	456	446	426	426
83,035	83,035	83,035	83,035	83,035	83,035
382	389	422	417	400	427
54,678	54,678	54,678	54,678	54,678	54,678
465	489	454	469	539	544
76,366	76,366	76,366	76,366	76,366	76,366
507	569	531	544	537	542
92,999	92,999	92,999	92,999	92,999	92,999
777	767	668	660	650	658
69,052	69,052	69,052	69,052	69,052	69,052
568	549	527	490	505	514
68,052	68,052	68,052	68,052	68,052	68,052
601	556	506	489	481	468
67,228	67,228	67,228	67,228	67,228	67,228
702	672	635	598	583	525
69,052	69,052	69,052	69,052	69,052	69,052
640	604	539	500	469	443
67,229	67,229	67,229	67,229	67,229	67,229
611	590	545	545	572	578
69,052	69,052	69,052	69,052	69,052	69,052
672	645	597	573	568	539
68,788	68,788	68,788	68,788	68,788	68,788
515	509	482	465	445	419

MCKINNEY INDEPENDENT SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)
continued

Exhibit S-19

			Fiscal Year			
			2007	2008	2009	2010
SCHOOLS *(continued)*						
Elementary *(continued)*						
Malvern Elementary						
Site	20.01 acres	Square Feet	71,515	71,515	71,515	71,515
Opened	2001	Enrollment	657	517	595	642
Vega Elementary						
Site	8.005 acres	Square Feet	71,513	71,513	71,513	71,513
Opened	2002	Enrollment	831	590	546	473
Bennett Elementary						
Site	9.844 acres	Square Feet	74,280	74,280	74,280	74,280
Opened	2002	Enrollment	880	695	728	643
Minshew Elementary						
Site	16.407 acres	Square Feet	92,255	92,255	92,255	92,255
Opened	2005	Enrollment	767	685	686	632
Wilmeth Elementary						
Site	9.67 acres	Square Feet	92,256	92,256	92,256	92,256
Opened	2006	Enrollment	635	754	836	903
McGowen Elementary						
Site	11.687 acres	Square Feet	-	93,326	93,326	93,326
Opened	2008	Enrollment	-	603	712	673
Press Elementary						
Site	10 acres	Square Feet	-	93,328	93,328	93,328
Opened	2008	Enrollment	-	437	555	527
McClure Elementary						
Site	12.9 acres	Square Feet	-	-	-	92,213
Opened	2010	Enrollment	-	-	-	-
Middle School						
Faubion Middle School						
Site	37.101* acres	Square Feet	149,278	149,278	149,278	149,278
Opened	1960	Enrollment	997	1,026	1,003	996
Dowell Middle School						
Site	23.065 acres	Square Feet	123,298	123,298	123,298	123,298
Opened	1995	Enrollment	1,236	1,334	1,140	1,114
Johnson Middle School						
Site	23.756 acres	Square Feet	159,285	159,285	159,285	159,285
Opened	2002	Enrollment	1,085	1,219	778	800

2011	2012	2013	2014	2015	2016
71,515	71,515	71,515	71,515	71,515	71,515
643	604	593	492	540	497
71,513	71,513	71,513	71,513	71,513	71,513
479	484	572	611	591	547
74,280	74,280	74,280	74,280	74,280	74,280
665	599	544	511	491	464
92,255	92,255	92,255	92,255	92,255	92,255
533	532	561	598	656	653
92,256	92,256	92,256	92,256	92,256	92,256
715	705	680	648	635	640
93,326	93,326	93,326	93,326	93,326	93,326
682	722	690	699	674	679
93,328	93,328	93,328	93,328	93,328	93,328
488	524	510	509	495	449
92,213	92,213	92,213	92,213	92,213	92,213
402	478	522	579	629	664
149,278	149,278	208,278	208,278	208,278	208,278
1,008	1,003	960	934	976	1,141
123,298	123,298	123,298	123,298	172,777	172,777
1,154	1,219	1,192	1,157	1,092	1,165
159,285	159,285	159,285	159,285	159,285	159,285
822	862	890	900	876	923

MCKINNEY INDEPENDENT SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)
continued

Exhibit S-19

			Fiscal Year			
			2007	2008	2009	2010
SCHOOLS *(continued)*						
Middle School *(continued)*						
Evans Middle School						
Site	21.008 acres	Square Feet	182,980	182,980	182,980	182,980
Opened	2004	Enrollment	1,421	1,450	1,361	1,373
Cockrill Middle School						
Site	21.01 acres	Square Feet	-	184,995	184,995	184,995
Opened	2008	Enrollment	-	-	917	1,095
High School						
McKinney High School						
Site	60.02 acres	Square Feet	352,880	352,880	352,880	352,880
Opened	1987	Enrollment	1,867	1,802	1,907	1,964
McKinney North High School						
Site	62.03 acres	Square Feet	439,422	439,422	439,422	439,422
Opened	2001	Enrollment	1,714	1,541	1,431	1,428
Serenity High School						
Site	(on MLC Site)	Square Feet	6,400	6,400	6,400	6,400
Opened	1999	Enrollment	7	-	6	1
(Housed in portable buildings on the MLC acreage)						
(Serenity accepts enrollments from various county schools)						
County Residential Center						
Site	(county facilities)	Square Feet	-	-	-	-
Opened	-	Enrollment	39	37	89	85
McKinney Boyd High School						
Site	56.4 acres	Square Feet	309,880	530,680	530,680	530,680
Opened	2006	Enrollment	1,527	2,275	2,653	2,915
Alternative Education Center						
Juvenile Justice Alternative Ed.						
Site	(county facilities)	Square Feet	-	-	-	-
Opened	-	Enrollment	8	6	10	5
McKinney Learning Center						
Site	6.563 acres	Square Feet	18,600	18,600	18,600	18,600
Opened	1968	Enrollment	63	48	87	63

(McKinney Learning Center housed Learning in a New Context ((LINC)) and Disciplinary Alternative Education Program ((DAEP)) until 2012. LINC enrollment was moved to high school campuses and was deactivated. DAEP is now housed at McKinney Learning Center. DAEP students are reported as enrolled at their home campus)

2011	2012	2013	2014	2015	2016
182,980	182,980	182,980	182,980	182,980	182,980
1,416	1,423	1,416	1,461	1,443	1,219
184,995	184,995	184,995	184,995	184,995	184,995
1,125	1,246	1,239	1,354	1,349	1,243
352,880	352,880	535,880	535,880	535,880	535,880
2,040	2,116	2,104	2,074	2,486	2,734
439,422	439,422	439,422	439,422	439,422	439,422
1,588	1,770	1,886	2,035	2,089	2,105
6,400	6,400	6,400	6,400	6,400	6,400
9	7	9	6	6	8
-	-	-	-	-	-
79	85	77	79	90	86
530,680	530,680	530,680	530,680	530,680	530,680
2,876	2,879	2,988	3,043	2,881	2,845
-	-	-	-	-	-
11	2	7	11	5	5
18,600	18,600	18,600	18,600	18,600	18,600
65	-	-	-	-	-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)
continued

Exhibit S-19

			Fiscal Year			
			2007	2008	2009	2010
SCHOOLS *(continued)*						
Early Childhood School						
Lawson Early Childhood School						
Site	9.0 acres	Square Feet	-	-	89,621	89,621
Opened	2009	Enrollment	-	-	-	653
Total						
Square Feet			2,943,484	3,535,933	3,625,554	3,717,767
Enrollment			21,289	22,426	23,401	23,933
OTHER MISD FACILITIES						
Administrative						
Duvall Street						
Site	37.101 acres*	Square Feet	35,000	35,000	35,000	35,000
Opened	1968					
Greer Annex						
Site	2.9 acres	Square Feet	41,773	41,773	41,773	41,773
Opened	1910					
Facility Services						
Maintenance Facility						
Site	1.785 acres	Square Feet	18,718	18,718	18,718	18,718
Opened	Purchased 1968					
Tennessee St. Warehouse						
Site	.32 acres	Square Feet	5,000	5,000	5,000	5,000
Opened	Purchased 2003					
Louisiana St. Warehouse						
Site	.9 acres	Square Feet	-	-	-	35,900
Opened	Purchased 2010					
Central Distribution Center						
Site	7.29 acres	Square Feet	16,400	16,400	16,400	16,400
Opened	Purchased 1997					
Transportation Facility						
Site	15.28 acres	Square Feet	10,165	10,165	10,165	10,165
Opened	2003					
Agriculture Barn						
Site	44.15 acres	Square Feet	2,145	2,145	2,145	2,145
Opened	1986					
Athletics						
Ron Poe Stadium						
Site	37.101 acres*	Square Feet	20,340	29,857	29,857	29,857
Opened	1962					

2011	2012	2013	2014	2015	2016
89,621	89,621	89,621	89,621	89,621	89,621
702	667	641	668	632	615
3,717,767	3,717,767	3,959,767	3,959,767	4,009,246	4,009,246
24,422	24,733	24,443	24,565	24,811	24,765
35,000	35,000	35,000	35,000	35,000	35,000
41,773	41,773	41,773	41,773	41,773	41,773
18,718	18,718	18,718	18,718	18,718	18,718
5,000	5,000	5,000	5,000	5,000	5,000
35,900	35,900	35,900	35,900	35,900	35,900
16,400	16,400	16,400	16,400	16,400	16,400
10,165	10,165	10,165	10,165	10,165	10,165
2,145	2,145	2,145	2,145	2,145	2,145
29,857	29,857	29,857	29,857	29,857	29,857

MCKINNEY INDEPENDENT SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
(Unaudited)
continued

Exhibit S-19

			Fiscal Year			
			2007	2008	2009	2010
OTHER MISD FACILITIES *(continued)*						
Athletics *(continued)*						
Al Alford Baseball Field						
Site	37.101 acres*	Square Feet	6,771	6,771	6,771	6,771
Opened	1970					
Total Other MISD Facilities						
Square Feet			156,312	165,829	165,829	201,729
Grand Total MISD Facilities			3,099,796	3,701,762	3,791,383	3,919,496

2011	2012	2013	2014	2015	2016
6,771	6,771	6,771	6,771	6,771	6,771
201,729	201,729	201,729	201,729	201,729	201,729
3,919,496	3,919,496	4,161,496	4,161,496	4,210,975	4,210,975

McKINNEY

INDEPENDENT SCHOOL DISTRICT

FEDERAL AWARDS SECTION

McKINNEY

INDEPENDENT SCHOOL DISTRICT

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

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McKinney Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the McKinney Independent School District's basic financial statements, and have issued our report thereon dated September 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the McKinney Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McKinney Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the McKinney Independent School District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance & Other Matters

As part of obtaining reasonable assurance about whether the McKinney Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Evans, Pingleton and Howard, PLLC

September 19, 2016

EVANS, PINGLETON and HOWARD, PLLC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited the McKinney Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the McKinney Independent School District's major federal programs for the year ended June 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the McKinney Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the McKinney Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the McKinney Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of the McKinney Independent School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the McKinney Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the McKinney Independent School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Evans, Pingleton and Howard, PLLC

September 19, 2016

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Program	Description
Type of Report on Financial Statements	Unmodified
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unmodified
Findings and Questioned Costs for Federal Awards as Defined in Title 2 U.S. CFR Part 200, of the Uniform Guidance.	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	$ 750,000
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of the Uniform Guidance.
Major Federal Programs	IDEA Cluster 84.027, 84.173
Pass-through Entity	State Department of Education

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For the Year Ended June 30, 2016

Program	Status of Prior Year's Finding/ Noncompliance

- NONE -

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2016

Program	Corrective Action Plan

- NONE -

Contact person: Mr. Jason Bird
Chief Financial Officer

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Title VII, Indian Education	84.060A		$ 4,117
Total Direct Programs			$ 4,117
Passed Through Region X ESC			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101057950	$ 1,988,243
ESEA, Title X, Part C -Homeless Children	84.196A	16-061	108,990
Title III, Part A - English Language Acquisition	84.365A	16671001057950	237,400
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501057950	359,959
Total Passed Through Region X ESC			$ 2,694,592
Passed Through State Department of Education			
*IDEA - Part B, Formula	84.027A	166600010439076000	$ 3,448,531
*IDEA - Part B, Discretionary	84.027A	166600120439076000	209,331
Total CFDA Number 84.027A			3,657,862
*IDEA - Part B, Preschool	84.173A	166610010439076000	32,616
Total Special Education Cluster (IDEA)			3,690,478
Career and Technical - Basic Grant	84.048A	16420006043907	186,848
Title I, Part D-2 Delinquent	84.010A	16610103043907	125,461
Summer School LEP	84.369A	69551502	17,809
Total Passed Through State Department of Education			$ 4,020,596
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 6,719,305
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Region X ESC			
Head Start	93.600	06CH7092	$ 407,303
Total Passed Through Region X ESC			$ 407,303
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 407,303
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Dept. of Human Services			
Donated Commodities	10.555		$ 558,897
Total Passed Through the State Dept. of Human Services			$ 558,897
Passed Through the State Department of Agriculture			
School Breakfast Program	10.553		$ 1,247,264
National School Lunch Program	10.555		3,562,910
Total Child Nutrition Cluster			5,369,071
Total Passed Through the State Department of Agriculture			$ 4,810,174
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$ 5,369,071
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 12,495,679

*Denotes Major Program

Note 1: School Health and Related Services reimbursements of $1,003,072 are recorded as federal program revenue in the general fund, but are not considered awards for the purposes of this schedule.

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred expenditures until earned.

3. The District participates in numerous Federal grant programs that 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, in any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016, 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 provisions have been recorded in the accompanying financial statements for such contingencies.