

**MCKINNEY
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2007

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2007
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CERTIFICATE OF BOARD

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

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and () approved () disapproved for the year ended June 30, 2007, at a meeting of the Board of School Trustees of such school district on the ____ day of _____, 2007.

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):

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

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

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MEMBERS
AMERICAN INSTITUTE OF CPAs
AICPA DIVISION FOR CPA FIRMS
TEXAS SOCIETY OF CPAs

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

Independent Auditor's Report

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

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District, McKinney Texas (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11, and the budgetary comparison information on pages 46 and 68 through 69 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

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

September 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McKinney Independent School District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. Please read in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

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

REPORTING THE DISTRICT AS A WHOLE

Government-wide Statements: The Statement of Net Assets 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 Assets and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (Exhibits C-2 and C-4)
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets, Exhibits D-1 and D-2 respectively. We exclude these resources 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table A-1
The District's Net Assets

	Governmental Activities		Percentage
	2007	2006	Change
Current & Other Assets	108,499,999	146,205,966	-25.79%
Capital & Non-Current Assets	392,880,871	346,468,328	13.40%
Total Assets	501,380,870	492,674,294	1.77%
Current Liabilities	53,512,722	42,644,298	25.49%
Long Term Liabilities	365,381,112	386,770,812	-5.53%
Total Liabilities	418,893,834	429,415,110	-2.45%
Net Assets			
Invested in Capital Assets			
net of related debt	4,299,738	19,181,910	-77.58%
Restricted	34,565,113	14,310,805	141.53%
Unrestricted	43,622,185	29,766,469	46.55%
Total Net Assets	82,487,036	63,259,184	30.40%

Governmental Activities - Net Assets

- During the 2006-2007 fiscal year, the District constructed two schools, Press Elementary and McGowan Elementary. In addition, construction continued for Phase 2 of McKinney Boyd High School. The construction of these facilities along with associated payments is reflected in the increase in Capital Assets and the decrease in Current and Other Assets compared to the previous year.
- Unrestricted net assets increased significantly reflecting the growth in the General Fund-Fund Balance.

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

	Governmental Activities		Percentage Change
	2007	2006	
Revenues			
<u>Program Revenues</u>			
Charges for services	9,136,270	8,043,318	13.59%
Operating grants & contributions	15,317,211	13,935,222	9.92%
<u>General Revenues</u>			
Property taxes	137,006,857	133,509,780	2.62%
State aid - formula	40,777,551	16,229,120	151.26%
Investment earnings	7,173,477	3,799,027	88.82%
Grants & contributions not restricted	956,937	137,424	596.34%
Other	4,357,291	4,028,291	8.17%
Total Revenues	214,725,594	179,682,182	19.50%
Expenses			
Instruction and instructional related	108,209,027	92,605,320	16.85%
Instructional leadership/school administration	12,536,283	10,934,257	14.65%
Guidance, social work, health, transportation	12,063,635	10,598,417	13.82%
Food services	7,280,247	6,478,712	12.37%
Extracurricular activities	6,453,308	4,917,217	31.24%
General administration	4,110,085	3,563,286	15.35%
Plant maintenance & security	15,792,232	13,068,983	20.84%
Community services	2,751,554	2,318,876	18.66%
Data processing services	6,319,733	2,873,287	119.95%
Debt service	19,873,054	17,911,390	10.95%
Contracted instructional services between public schools	108,584	101,461	7.02%
Total Expenses	195,497,742	165,371,206	18.22%
Extraordinary items-net		(53,504)	
Increase in Net Assets	19,227,852	14,257,472	34.86%
Beginning Net Assets	63,259,184	49,001,712	29.10%
Ending Net Assets	82,487,036	63,259,184	30.40%

Governmental Activities-Changes in Net Assets

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

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

- The cost of all *governmental* activities this period was \$195,497,742.
- The amount paid by MISD taxpayers for these governmental activities through property taxes was \$137,006,857.
- Some of the cost, \$9,136,270, was paid by those who directly benefited from the programs or by grants and contributions of \$15,317,211.

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2007</u>	<u>2006</u>	<u>% Change</u>	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Instruction	\$103,241,209	\$88,443,272	16.73%	\$92,046,232	\$75,725,411	21.55%
School leadership	9,455,140	8,402,012	12.53%	9,125,505	8,082,453	12.91%
Plant maintenance & operations	15,373,577	12,713,123	20.93%	14,538,226	11,911,164	22.06%
Debt service-interest & fiscal charges	19,817,196	17,519,167	13.12%	19,817,196	17,519,167	13.12%

The increased cost of services was primarily caused by additional cost necessary to provide services for an increasing student population. Average daily attendance increased by 7.97% from 18,531 in 2006 to 20,008 in 2007.

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 \$86,499,762 as compared to a fund balance ending June 30, 2006 of \$129,185,435. The primary reason for the difference was the fiscal year 2007 expenditures of fiscal year 2006 Capital Projects Fund-Fund Balance.

General Fund Budgetary Highlights

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

Table A-4
District's Capital Assets
Governmental Activities

	<u>2007</u>	<u>2006</u>	<u>Total % Change</u>
Land	\$ 18,998,673	\$ 17,548,087	8.27%
Buildings & improvements	388,661,056	337,917,824	15.02%
Furniture & equipment	7,642,262	5,591,930	36.67%
Construction in progress	48,322,774	45,393,166	6.45%
Totals at historical cost	<u>\$ 463,624,765</u>	<u>\$406,451,007</u>	14.07%
Total accumulated depreciation	70,743,894	59,982,679	17.94%
Net capital assets	<u>\$ 392,880,871</u>	<u>\$346,468,328</u>	13.40%

At the 2007 year-end, the District had \$388,581,133 in bonds and notes outstanding as compared to \$406,079,147 at 2006 year-end. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt

	<u>2007</u>	<u>2006</u>	<u>Total % Change</u>
Loans payable	\$ 2,377,052	\$ 2,877,052	-17.38%
Bonds payable	386,204,081	403,202,095	-4.22%
Total bonds & notes payable	<u>\$ 388,581,133</u>	<u>\$ 406,079,147</u>	-4.31%

The District's bonds presently carry AAA Ratings with underlying ratings as follows:

Moody's Investor Services "Aa3"

Standard & Poor's "A+"

The Standard & Poor's rating reflects an upgrade from the previous year.

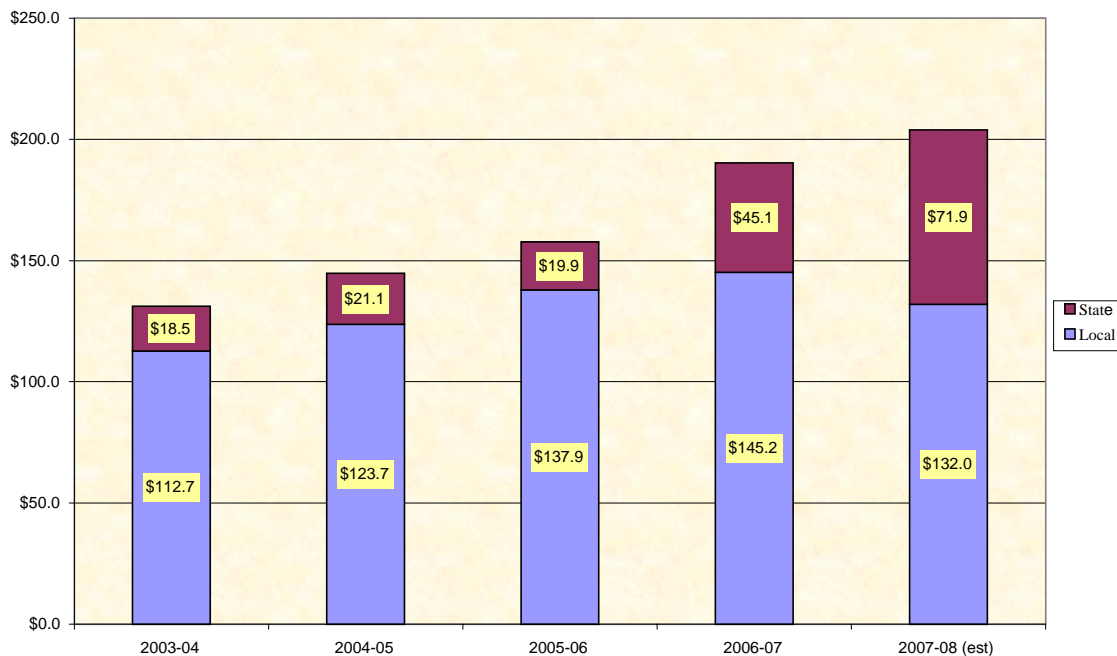
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable appraised value used for the 2008 budget preparation has increased approximately \$940 million, which represents an increase of 12.5% from 2007 values. New construction for 2008 amounts to approximately \$489 million, with a net of \$42 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on average daily attendance) in the 2006-07 fiscal year of \$6,791 to the budgeted 2007-08 spending per pupil of \$7,032 represents a budgeted increase in spending per pupil of 3.5%.
- The District's 2008 refined average daily attendance is expected to be approximately 21,350, which represents a 6.7% increase over 2007.

These indicators were taken into account when adopting the general fund budget for 2008. Revenues available for appropriation in the general fund budget are \$162,605,146, an increase of 11.1% over the final 2007 budget of \$146,301,162. The increase in available revenue is generated primarily by an increase in state aid for enrollment growth.

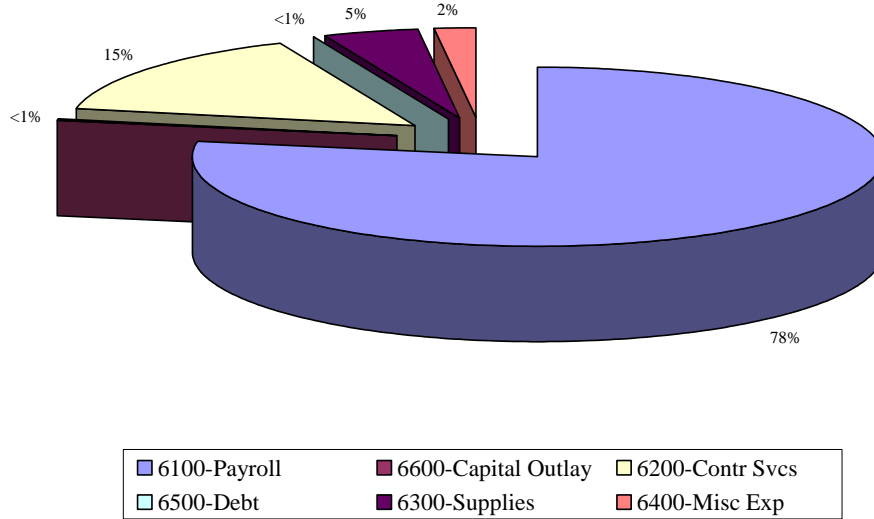
State legislation has mandated a decreased tax rate in 2008. Therefore, the District has adopted a tax rate of \$1.517 for 2008, a decrease of \$.324. As a result, local revenue is estimated to decrease approximately 14.4%. However, state funding will increase \$32.2 million due to additional funds authorized by House Bill 1 to hold the school district harmless for the revenue per pupil decrease resulting from the state mandated tax rate decrease. The following chart demonstrates the relationship of state and local funding as a result of the state mandates.

**State vs. Local Revenue (in millions)
(General & Debt Service Funds)**



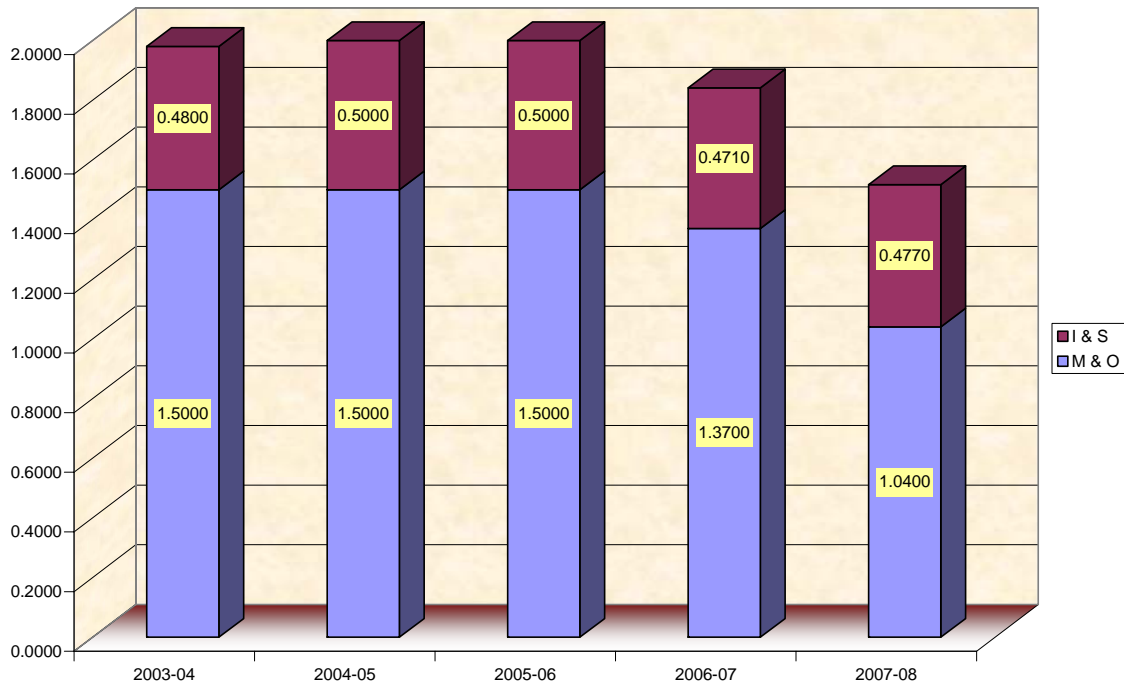
General fund expenditures for 2007 – 2008 are budgeted to increase 12.6% to \$162.7 million. The largest increments are due to increased staffing for student growth, salary increases, and added costs for McGowan and Press Elementary Schools.

2007-2008 Percent of General Fund Budget by Object



The District tax rate will be \$1.517 in 2008, with the debt portion at \$.477 and the M & O portion at \$1.040. The average taxable value of an average residence is expected to increase from \$185,861 to \$196,189 in 2008. The state mandated decrease in the tax rate will result in an average decrease in taxes of \$445.52 per residence.

Historic Tax Rate Comparison



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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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



BASIC FINANCIAL STATEMENTS

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

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

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, 2007

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Assets
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 103,241,209	\$ 960,952	\$ 10,234,025	\$ (92,046,232)
12 Instructional Resources and Media Services	3,539,342	-	85,495	(3,453,847)
13 Curriculum and Instructional Staff Development	1,428,476	-	155,315	(1,273,161)
21 Instructional Leadership	3,081,143	-	288,164	(2,792,979)
23 School Leadership	9,455,140	-	329,635	(9,125,505)
31 Guidance, Counseling and Evaluation Services	4,679,032	-	467,921	(4,211,111)
32 Social Work Services	265,005	-	-	(265,005)
33 Health Services	1,505,979	-	68,844	(1,437,135)
34 Student (Pupil) Transportation	5,613,619	-	29,835	(5,583,784)
35 Food Services	7,280,247	4,282,690	2,620,411	(377,146)
36 Cocurricular/Extracurricular Activities	6,453,308	564,588	123,715	(5,765,005)
41 General Administration	4,110,085	-	88,497	(4,021,588)
51 Plant Maintenance and Operations	15,373,577	731,787	103,564	(14,538,226)
52 Security and Monitoring Services	418,655	-	10,917	(407,738)
53 Data Processing Services	6,319,733	-	704,499	(5,615,234)
61 Community Services	2,751,554	2,596,253	4,055	(151,246)
72 Debt Service - Interest on Long Term Debt	19,817,196	-	-	(19,817,196)
73 Debt Service - Bond Issuance Cost and Fees	55,858	-	-	(55,858)
93 Payments to Fiscal Agent/Member Districts of SSA	2,319	-	2,319	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	106,265	-	-	(106,265)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 195,497,742	\$ 9,136,270	\$ 15,317,211	(171,044,261)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		101,944,081
DT	Property Taxes, Levied for Debt Service		35,062,776
SF	State Aid - Formula Grants		40,777,551
GC	Grants and Contributions not Restricted		956,937
IE	Investment Earnings		7,173,477
MI	Miscellaneous Local and Intermediate Revenue		4,357,291
TR	Total General Revenues		190,272,113
CN	Change in Net Assets		19,227,852
NB	Net Assets--Beginning		63,259,184
NE	Net Assets--Ending		\$ 82,487,036

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 52,005,097	\$ 15,015,418	\$ 27,285,145
1220 Property Taxes - Delinquent	4,041,835	1,349,234	-
1230 Allowance for Uncollectible Taxes (Credit)	(121,255)	(40,477)	-
1240 Due from Other Governments	10,418,573	-	-
1250 Accrued Interest	608,700	73,224	164,046
1290 Other Receivables	697,922	80,258	-
1300 Inventories	532,950	-	-
1410 Deferred Expenditures	382,016	-	-
1000 Total Assets	<u>\$ 68,565,838</u>	<u>\$ 16,477,657</u>	<u>\$ 27,449,191</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2160 Accrued Wages Payable	\$ 13,860,906	\$ -	\$ -
2200 Accrued Expenditures	895,154	-	8,786,895
2300 Deferred Revenues	4,143,118	1,358,217	-
2000 Total Liabilities	<u>\$ 18,899,178</u>	<u>\$ 1,358,217</u>	<u>\$ 8,786,895</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 532,950	\$ -	\$ -
3420 Retirement of Long Term Debt	-	15,119,440	-
3430 Prepaid Items	382,016	-	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	18,662,296
3530 Capital Expenditures for Equipment	1,059,486	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	47,692,208	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>\$ 49,666,660</u>	<u>\$ 15,119,440</u>	<u>\$ 18,662,296</u>
4000 Total Liabilities and Fund Balances	<u>\$ 68,565,838</u>	<u>\$ 16,477,657</u>	<u>\$ 27,449,191</u>

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

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

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

Total Fund Balances - Governmental Funds	\$	86,499,762
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 \$406,451,007 and the accumulated depreciation was \$59,982,679. In addition, long-term liabilities, including bonds payable of \$399,785,312, and loans payable of \$2,877,052, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net assets.		(56,194,036)
2 Current year capital outlays of \$57,364,040 and long-term debt principal payments of \$16,651,860 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.		74,015,900
3 Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net assets.		(6,921,801)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements. The effect of showing accreted interest on capital appreciation bonds is to decrease net assets.		(2,570,629)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(10,774,577)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(1,567,583)
19 Net Assets of Governmental Activities	\$	82,487,036

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, 2007

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 108,823,992	\$ 36,335,710	\$ 3,364,493
5800 State Program Revenues	43,895,193	1,198,186	-
5900 Federal Program Revenues	956,937	-	-
5020 Total Revenues	<u>153,676,122</u>	<u>37,533,896</u>	<u>3,364,493</u>
EXPENDITURES:			
Current:			
0011 Instruction	82,397,006	-	-
0012 Instructional Resources and Media Services	2,577,476	-	-
0013 Curriculum and Instructional Staff Development	1,280,116	-	-
0021 Instructional Leadership	2,888,231	-	-
0023 School Leadership	8,639,381	-	-
0031 Guidance, Counseling and Evaluation Services	4,375,143	-	-
0032 Social Work Services	265,005	-	-
0033 Health Services	1,488,166	-	-
0034 Student (Pupil) Transportation	5,585,512	-	-
0035 Food Services	-	-	-
0036 Cocurricular/Extracurricular Activities	4,547,670	-	-
0041 General Administration	4,059,825	-	-
0051 Facilities Maintenance and Operations	15,002,573	-	-
0052 Security and Monitoring Services	378,105	-	-
0053 Data Processing Services	4,093,594	-	-
0061 Community Services	140,193	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	500,000	16,151,860	-
0072 Debt Service - Interest on Long Term Debt	155,498	19,238,597	-
0073 Debt Service - Bond Issuance Cost and Fees	183	17,551	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	89,130	-	64,670,458
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	106,265	-	-
6030 Total Expenditures	<u>138,569,072</u>	<u>35,408,008</u>	<u>64,670,458</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,107,050</u>	<u>2,125,888</u>	<u>(61,305,965)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	19,305	-	243,890
7915 Transfers In	100,528	-	-
8911 Transfers Out (Use)	(80,566)	-	-
7080 Total Other Financing Sources (Uses)	<u>39,267</u>	<u>-</u>	<u>243,890</u>
1200 Net Change in Fund Balances	15,146,317	2,125,888	(61,062,075)
0100 Fund Balance - July 1 (Beginning)	<u>34,520,343</u>	<u>12,993,552</u>	<u>79,724,371</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 49,666,660</u>	<u>\$ 15,119,440</u>	<u>\$ 18,662,296</u>

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

Other Funds	Total Governmental Funds
\$ 9,753,078	\$ 158,277,273
2,530,870	47,624,249
8,470,513	9,427,450
<u>20,754,461</u>	<u>215,328,972</u>
8,258,596	90,655,602
307,551	2,885,027
142,500	1,422,616
192,912	3,081,143
677,294	9,316,675
303,889	4,679,032
-	265,005
9,712	1,497,878
28,107	5,613,619
6,505,212	6,505,212
207,362	4,755,032
44	4,059,869
108,604	15,111,177
62,151	440,256
212,688	4,306,282
2,611,361	2,751,554
-	16,651,860
-	19,394,095
-	17,734
-	64,759,588
2,319	2,319
-	106,265
<u>19,630,302</u>	<u>258,277,840</u>
<u>1,124,159</u>	<u>(42,948,868)</u>
-	263,195
103,159	203,687
<u>(123,121)</u>	<u>(203,687)</u>
<u>(19,962)</u>	<u>263,195</u>
1,104,197	(42,685,673)
<u>1,947,169</u>	<u>129,185,435</u>
<u>\$ 3,051,366</u>	<u>\$ 86,499,762</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(42,685,673)
Current year capital outlays of \$57,364,040 and long-term debt principal payments of \$16,651,860 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 assets.		74,015,900
Accrued interest payable on long-term debt is not reflected in the fund financial statements, but is shown on the government-wide financial statements. The net effect of showing accrued interest payable is to decrease net assets.		(638,037)
Current year accretion on capital appreciation bonds is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The net effect of showing accreted interest on capital appreciation bonds is to increase net assets.		846,154
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 assets.		(10,774,577)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, 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 assets.		(1,535,915)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>19,227,852</u>

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

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

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,866	\$ 176,389
Deferred Expenses	-	45,665
Total Assets	14,866	\$ 222,054
LIABILITIES		
Due to Student Groups	-	\$ 222,054
Total Liabilities	-	\$ 222,054
NET ASSETS		
Investments in Capital Assets, Net of Debt	10,000	
Unrestricted Net Assets	4,866	
Total Net Assets	\$ 14,866	

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

The District reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

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

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Due From (To) Other Funds

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	10
Office equipment	7
Computer equipment	5

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Vacation and Sick Leave

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

6. Long-term Obligations

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

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

7. Fund Equity

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

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Data Control Codes

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

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	\$ 3,324,812
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>1,904,525</u>

5,229,337

Long-term debt:

Premium and issuance costs on bonds	(8,022,969)
Deferred loss on refunding bonds	<u>1,402,969</u>
	<u>(6,620,000)</u>

Capital assets:

Disposal of capital assets	<u>(176,920)</u>
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Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(1,567,583)</u>
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-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(1,535,915) adjustment are as follows:

Taxes:

To move the current year uncollected tax levy to revenue	\$ 3,324,812
To remove the prior year tax collection from current year revenue	<u>(4,014,465)</u>
	<u>(689,653)</u>

Long-term debt:

Current year amortization	<u>(669,342)</u>
---------------------------	------------------

Capital assets:

Disposal of capital assets	<u>(176,920)</u>
----------------------------	------------------

Net adjustment to decrease net changes in fund balances -

total governmental funds to arrive at changes to net assets of governmental activities	\$ <u>(1,535,915)</u>
--	-----------------------

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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

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

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

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

<u>June 30, 2007 Fund Balance</u>	
Appropriated budget funds - Food Service Special Revenue Fund	\$ 783,377
Nonappropriated budget funds	<u>2,267,989</u>
All Special Revenue Funds	<u>\$ 3,051,366</u>

B. Encumbrance Accounting

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

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

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 \$ 3,933,207.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 1,124,327 and occurred during the month of April.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 105,814.

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; 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.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment 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 temporary investments at June 30, 2007, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
U. S. Government securities	\$ 42,830,969
TexStar investment pool	30,084,252
State Treasurer's investment pool	<u>24,286,882</u>
Total	\$ <u>97,202,103</u>

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

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

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

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

C. Due From Other Governments

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

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 138,477	10,270,713	9,383	10,418,573
Special revenue	_____	<u>425,781</u>	<u>1,518,125</u>	<u>1,943,906</u>
Total	\$ <u>138,477</u>	<u>10,696,494</u>	<u>1,527,508</u>	<u>12,362,479</u>

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

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

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

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,136,912
Instructional resources and media	235,636
School leadership	135,945
Food services	664,165
Extracurricular activities	1,029,378
General administration	47,077
Plant maintenance and operations	167,641
Security and monitoring services	1,543
Data processing services	<u>356,280</u>
Total depreciation expense	<u>\$ 10,774,577</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

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

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

F. Loans Payable

Loans payable activity for the period ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Total loans payable	\$ <u>2,877,052</u>		<u>(500,000)</u>	<u>2,377,052</u>	<u>2,377,052</u>

On March 4, 2005, the District borrowed \$2,377,052 from the seller of land acquired for future school sites. The interest rate is 6%. Interest only is due March 4, 2006 and 2007, and interest and principal in full is due March 4, 2008. Interest expense for the year was \$142,623.

On March 15, 2000, the District borrowed funds for the purpose of capital equipment acquisitions, as authorized by Chapter 271 Local Government Code. The effective interest rates on the debt ranges from 4.50% to 5.15%. Interest expense for the year was \$12,875. This debt is repaid from the General Fund. This debt was paid in full at June 30, 2007.

Debt service requirements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ <u>2,377,052</u>	<u>142,623</u>	<u>2,519,675</u>
Total	\$ <u>2,377,052</u>	<u>142,623</u>	<u>2,519,675</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable

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

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

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 18,526,229	19,351,906	37,878,135
2009	19,302,223	18,430,405	37,732,628
2010	20,075,000	16,754,660	36,829,660
2011	20,290,000	15,860,791	36,150,791
2012	21,245,000	14,927,456	36,172,456
2013-2017	117,660,000	58,814,105	176,474,105
2018-2022	100,765,000	29,092,598	129,857,598
2023-2027	38,115,000	12,229,075	50,344,075
2028-2031	<u>27,655,000</u>	<u>3,112,419</u>	<u>30,767,419</u>
Total	<u>\$ 383,633,452</u>	<u>188,573,415</u>	<u>572,206,867</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable (continued)

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2007.

H. Defeasance of Debt (continued)

In prior years, the District defeased previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On June 30, 2007, \$81,560,000 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 2007, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Litigation and Contingencies

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

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2007, 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.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Private Purpose Fund	Total
Property taxes	\$ 102,578,008		35,201,970			137,779,978
Food sales		4,282,690				4,282,690
Investment income	2,999,656		825,064	3,348,758	863	7,174,341
Penalties, interest and other tax related income	921,729		308,214			1,229,943
Co-curricular student activities	564,588					564,588
Tuition and fees	960,953	2,596,253				3,557,206
Other	<u>799,058</u>	<u>2,874,135</u>	<u>462</u>	<u>15,735</u>		<u>3,689,390</u>
Total	<u>\$ 108,823,992</u>	<u>9,753,078</u>	<u>36,335,710</u>	<u>3,364,493</u>	<u>863</u>	<u>158,278,136</u>

D. Deferred Revenue

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net tax revenue	\$ 3,920,580		1,308,757	5,229,337
State revenue			49,460	49,460
LEP		11,068		11,068
Deferred tuition	82,315			82,315
Deferred enrichment	1,746			1,746
Student activities		48,201		48,201
Club 360		21,339		21,339
Detachment revenue	138,477			138,477
Advanced placement initiatives		<u>27,616</u>		<u>27,616</u>
Total	<u>\$ 4,143,118</u>	<u>108,224</u>	<u>1,358,217</u>	<u>5,609,559</u>

E. Health Care Coverage

For the year ended June 30, 2007, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$235, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 5 OTHER INFORMATION (continued)

E. Health Care Coverage (continued)

The contract between the District and the licensed insurer is renewable September 1, 2007 and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2006, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. Pension Plan Obligations

1. Teacher Retirement System of Texas

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698, by calling (800) 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The amount of on-behalf payments during the year was \$4,315,828. The District's employees' contributions to the System for the years ended 2005, 2006, and 2007 were \$4,422,429, \$5,133,155, and \$6,038,703 respectively, equal to the required contributions for each period. Other contributions made from federal private grants and from the District for salaries above the statutory minimum for the years ended 2005, 2006, and 2007 were \$960,877, \$1,142,206, and \$1,340,545 respectively, equal to the required contributions for each period.

2. Teacher/Employee Recruitment and 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, 5141 California Avenue, Suite 150, Irvine, California 92617.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

2. Teacher/Employee Recruitment and Retention Program Trust (continued)

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, 2007 were \$155,031. 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.

G. Workers' Compensation Insurance

During the year ended June 30, 2007, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2006, the Fund carries a discounted reserve of \$739,944,630 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2006, 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, 2006, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 5 OTHER INFORMATION (continued)

H. Subsequent Event

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

REQUIRED SUPPLEMENTAL INFORMATION

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 102,521,426	\$ 106,024,135	\$ 108,823,992	\$ 2,799,857
5800 State Program Revenues	40,797,611	39,532,027	43,895,193	4,363,166
5900 Federal Program Revenues	125,000	745,000	956,937	211,937
5020 Total Revenues	143,444,037	146,301,162	153,676,122	7,374,960
EXPENDITURES:				
Current:				
0011 Instruction	85,826,147	84,641,237	82,397,006	2,244,231
0012 Instructional Resources and Media Services	2,568,712	2,603,277	2,577,476	25,801
0013 Curriculum and Instructional Staff Development	1,641,840	1,337,343	1,280,116	57,227
0021 Instructional Leadership	2,795,235	2,943,815	2,888,231	55,584
0023 School Leadership	8,568,396	8,695,899	8,639,381	56,518
0031 Guidance, Counseling and Evaluation Services	4,315,633	4,576,716	4,375,143	201,573
0032 Social Work Services	266,250	265,006	265,005	1
0033 Health Services	1,573,450	1,578,007	1,488,166	89,841
0034 Student (Pupil) Transportation	5,942,965	5,950,981	5,585,512	365,469
0036 Cocurricular/Extracurricular Activities	4,831,931	4,912,213	4,547,670	364,543
0041 General Administration	4,022,868	4,178,367	4,059,825	118,542
0051 Facilities Maintenance and Operations	16,341,576	16,118,796	15,002,573	1,116,223
0052 Security and Monitoring Services	506,915	500,327	378,105	122,222
0053 Data Processing Services	3,308,987	5,459,088	4,093,594	1,365,494
0061 Community Services	174,190	151,298	140,193	11,105
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	500,000	500,000	500,000	-
0072 Debt Service - Interest on Long Term Debt	175,499	155,499	155,498	1
0073 Debt Service - Bond Issuance Cost and Fees	8,450	450	183	267
Capital Outlay:				
0081 Facilities Acquisition and Construction	200,000	92,248	89,130	3,118
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	125,000	106,265	106,265	-
6030 Total Expenditures	143,694,044	144,766,832	138,569,072	6,197,760
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(250,007)	1,534,330	15,107,050	13,572,720
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	19,305	19,305
7915 Transfers In	250,000	250,000	100,528	(149,472)
8911 Transfers Out (Use)	-	(80,567)	(80,566)	1
7080 Total Other Financing Sources (Uses)	250,000	169,433	39,267	(130,166)
1200 Net Change in Fund Balances	(7)	1,703,763	15,146,317	13,442,554
0100 Fund Balance - July 1 (Beginning)	34,520,343	34,520,343	34,520,343	-
3000 Fund Balance - June 30 (Ending)	\$ 34,520,336	\$ 36,224,106	\$ 49,666,660	\$ 13,442,554

COMBINING STATEMENTS

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title III - B Homeless	211 ESEA I, A Improving Basic Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (21,156)	\$ (99,087)	\$ (32,505)	\$ (127,416)
1240	Due from Other Governments	21,156	99,087	32,505	342,947
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,531</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ 215,531
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,531</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,531</u>

212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting
\$ (6,642)	\$ (263,513)	\$ (41,042)	\$ (164,577)	\$ 965,566	\$ -	\$ (32,126)	\$ (38,012)
10,957	591,814	42,244	164,577	42,503	-	33,026	94,719
-	7,602	-	-	-	-	500	-
<u>\$ 4,315</u>	<u>\$ 335,903</u>	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 1,008,069</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 56,707</u>
\$ 3,235	\$ 332,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,707
1,080	3,270	1,202	-	224,692	-	1,400	-
-	-	-	-	-	-	-	-
<u>4,315</u>	<u>335,903</u>	<u>1,202</u>	<u>-</u>	<u>224,692</u>	<u>-</u>	<u>1,400</u>	<u>56,707</u>
-	-	-	-	783,377	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	783,377	-	-	-
<u>\$ 4,315</u>	<u>\$ 335,903</u>	<u>\$ 1,202</u>	<u>\$ -</u>	<u>\$ 1,008,069</u>	<u>\$ -</u>	<u>\$ 1,400</u>	<u>\$ 56,707</u>

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

Data Control Codes	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
ASSETS				
1110 Cash and Cash Equivalents	\$ (505)	\$ (24,490)	\$ (6,488)	\$ (7,179)
1240 Due from Other Governments	505	28,418	6,488	7,179
1410 Deferred Expenditures	-	8,445	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 12,373</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2160 Accrued Wages Payable	\$ -	\$ 12,373	\$ -	\$ -
2200 Accrued Expenditures	-	-	-	-
2300 Deferred Revenues	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>12,373</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved For:				
3450 Food Service	-	-	-	-
Unreserved and Undesignated:				
3610 Reported in Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 12,373</u>	<u>\$ -</u>	<u>\$ -</u>

289 Other Federal Special Revenue Funds	392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Student Success Initiative	409 Basic Skills Program High School	411 Technology Allotment
\$ 11,068	\$ (10,845)	\$ (4,274)	\$ 23,225	\$ (17,873)	\$ (71,479)	\$ -	\$ 62,170
-	10,845	4,274	-	17,873	71,479	-	4,080
-	-	-	4,391	-	-	-	-
<u>\$ 11,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,250</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
11,068	-	-	27,616	-	-	-	-
<u>11,068</u>	<u>-</u>	<u>-</u>	<u>27,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	66,250
-	-	-	-	-	-	-	66,250
<u>\$ 11,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,250</u>

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

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

461 Campus Activity Funds	480 After School Day Care Program	Total Nonmajor Governmental Funds
\$ 1,368,676	\$ 17,709	\$ 2,061,356
-	-	1,943,906
452	3,630	25,020
\$ 1,369,128	\$ 21,339	\$ 4,030,282
\$ -	\$ -	\$ 620,479
18,569	-	250,213
48,201	21,339	108,224
66,770	21,339	978,916
-	-	783,377
1,302,358	-	2,267,989
1,302,358	-	3,051,366
\$ 1,369,128	\$ 21,339	\$ 4,030,282

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

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

212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting
\$ -	\$ -	\$ -	\$ -	\$ 4,282,690	\$ -	\$ -	\$ -
-	-	-	-	38,410	-	-	-
15,620	2,615,628	60,313	171,281	2,582,084	-	104,820	459,846
<u>15,620</u>	<u>2,615,628</u>	<u>60,313</u>	<u>171,281</u>	<u>6,903,184</u>	<u>-</u>	<u>104,820</u>	<u>459,846</u>
9,755	2,362,592	58,393	164,577	-	-	92,900	459,846
-	-	-	-	-	-	-	-
-	914	-	-	-	-	-	-
5,370	16,618	1,920	6,704	-	-	-	-
-	-	-	-	-	-	-	-
-	235,504	-	-	-	-	11,920	-
-	-	-	-	-	-	-	-
495	-	-	-	-	-	-	-
-	-	-	-	6,505,212	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	206	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
15,620	2,615,628	60,313	171,281	6,505,418	-	104,820	459,846
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,766</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	22,593	-	-	-
-	-	-	-	-	(22,593)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,593</u>	<u>(22,593)</u>	<u>-</u>	<u>-</u>
-	-	-	-	420,359	(22,593)	-	-
-	-	-	-	363,018	22,593	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Data Control Codes	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	15,581	187,121	15,668	7,179
5020 Total Revenues	<u>15,581</u>	<u>187,121</u>	<u>15,668</u>	<u>7,179</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	86,208	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	15,581	11,644	15,668	-
0021 Instructional Leadership	-	87,114	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	-	7,179
0034 Student (Pupil) Transportation	-	2,155	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>15,581</u>	<u>187,121</u>	<u>15,668</u>	<u>7,179</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Data Control Codes	418 Employee Health Insurance	423 HB-1 High School Allotment	428 Excellence Award Program	429 Other State Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	77,896	1,345,905	5,067	110
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>77,896</u>	<u>1,345,905</u>	<u>5,067</u>	<u>110</u>
EXPENDITURES:				
Current:				
0011 Instruction	133,358	234,872	-	-
0012 Instructional Resources and Media Services	4,253	-	-	110
0013 Curriculum and Instructional Staff Development	5	-	5,067	-
0021 Instructional Leadership	283	-	-	-
0023 School Leadership	6,829	-	-	-
0031 Guidance, Counseling and Evaluation Services	4,186	-	-	-
0033 Health Services	2,533	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	579	-	-	-
0041 General Administration	44	-	-	-
0051 Facilities Maintenance and Operations	4,185	-	-	-
0052 Security and Monitoring Services	262	-	-	-
0053 Data Processing Services	1,036	211,652	-	-
0061 Community Services	909	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	-	-	-	-
6030 Total Expenditures	<u>158,462</u>	<u>446,524</u>	<u>5,067</u>	<u>110</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(80,566)</u>	<u>899,381</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	80,566	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>80,566</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	899,381	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 899,381</u>	<u>\$ -</u>	<u>\$ -</u>

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2007

	828 Private Purpose Trust Fund	829 Private Purpose Trust Fund	Total Private Purpose Trust Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 14,297	\$ 569	\$ 14,866
Total Assets	<u>14,297</u>	<u>569</u>	<u>14,866</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	10,000	-	10,000
Unrestricted Net Assets	<u>4,297</u>	<u>569</u>	<u>4,866</u>
Total Net Assets	<u>\$ 14,297</u>	<u>\$ 569</u>	<u>\$ 14,866</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	828 Private Purpose Trust Fund	829 Private Purpose Trust Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 680	\$ 183	\$ 863
Total Additions	<u>680</u>	<u>183</u>	<u>863</u>
Change in Net Assets	680	183	863
Total Net Assets - July 1 (Beginning)	<u>13,617</u>	<u>386</u>	<u>14,003</u>
Total Net Assets - June 30 (Ending)	<u>\$ 14,297</u>	<u>\$ 569</u>	<u>\$ 14,866</u>

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REQUIRED T.E.A. SCHEDULES

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

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1998 and prior years	Various	Various	\$ Various
1999	1.243300	0.316700	2,521,551,048
2000	1.310000	0.280000	3,040,120,158
2001	1.345000	0.295000	3,711,269,088
2002	1.405000	0.380000	4,299,175,813
2003	1.465000	0.480000	5,121,126,520
2004	1.500000	0.480000	5,448,114,091
2005	1.500000	0.500000	5,958,317,700
2006	1.500000	0.500000	6,623,153,750
2007 (School year under audit)	1.370000	0.471000	7,457,875,177
1000 TOTALS			

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 281,107	\$ 2,617,800	\$ 52,305	\$ -	\$ 2,951,212
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	267,060	-	-	-	-	-	267,060
6212	Audit Services	-	-	-	33,000	-	-	33,000
6213	Tax Appraisal and Collection	-	740,129	-	-	-	-	740,129
621X	Other Professional Services	-	-	5,546	240,642	-	-	246,188
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	55,384	-	-	55,384
6240	Contr. Maint. and Repair	-	-	-	-	1,124,207	-	1,124,207
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	797	-	-	797
6290	Miscellaneous Contr.	-	-	276	18,675	-	-	18,951
6320	Textbooks and Reading	-	-	1,918	2,383	50	-	4,351
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	1,607	359,011	532	-	361,150
6410	Travel, Subsistence, Stipends	18,185	-	5,500	36,067	45	-	59,797
6420	Ins. and Bonding Costs	60,481	-	-	-	-	-	60,481
6430	Election Costs	13,004	-	-	-	-	-	13,004
6490	Miscellaneous Operating	26,866	-	24,271	71,694	615	-	123,446
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	<u>\$ 385,596</u>	<u>\$ 740,129</u>	<u>\$ 320,225</u>	<u>\$ 3,435,453</u>	<u>\$ 1,177,754</u>	<u>\$ -</u>	<u>\$ 6,059,157</u>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 158,199,375

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,177,767
Total Debt & Lease(6500)	(11)	655,681
Plant Maintenance (Function 51, 6100-6400)	(12)	14,902,726
Food (Function 35, 6341 and 6499)	(13)	195,135
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>3,435,453</u>

SubTotal: 20,366,763

Net Allowed Direct Cost \$ 137,832,612

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 388,661,056
Historical Cost of Building over 50 years old	(16)	\$ 370,326
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 7,642,262
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No amounts in Function 53 expenditures are included in this report on administrative costs.

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

UNAUDITED

1	Total General Fund Balance as of 6/30/07 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 49,666,660
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 914,966	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,059,486	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	22,802,105	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/06-5/31/07).	13,562,036	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	10,035,019	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	1,091,781	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>49,465,393</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ 201,267</u>

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

The excess balance represents less than .5% of the Optimal Fund Balance and Cash Flow. This balance is a contingency for future use as the District opens new campuses each year to accommodate growth of 1,500 - 1,800 students per year.

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,979,116	\$ 4,389,782	\$ 4,282,690	\$ (107,092)
5800 State Program Revenues	34,500	38,410	38,410	-
5900 Federal Program Revenues	2,367,455	2,580,285	2,582,084	1,799
5020 Total Revenues	6,381,071	7,008,477	6,903,184	(105,293)
EXPENDITURES:				
0035 Food Services	6,298,092	6,947,892	6,505,212	442,680
0051 Facilities Maintenance and Operations	150	350	206	144
6030 Total Expenditures	6,298,242	6,948,242	6,505,418	442,824
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	82,829	60,235	397,766	337,531
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	22,594	22,593	(1)
7080 Total Other Financing Sources (Uses)	-	22,594	22,593	(1)
1200 Net Change in Fund Balances	82,829	82,829	420,359	337,530
0100 Fund Balance - July 1 (Beginning)	363,018	363,018	363,018	-
3000 Fund Balance - June 30 (Ending)	\$ 445,847	\$ 445,847	\$ 783,377	\$ 337,530

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 35,592,265	\$ 35,592,265	\$ 36,335,710	\$ 743,445
5800 State Program Revenues	1,018,241	1,018,241	1,198,186	179,945
5020 Total Revenues	<u>36,610,506</u>	<u>36,610,506</u>	<u>37,533,896</u>	<u>923,390</u>
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	16,151,860	16,151,860	16,151,860	-
0072 Debt Service - Interest on Long Term Debt	19,238,597	19,238,597	19,238,597	-
0073 Debt Service - Bond Issuance Cost and Fees	32,000	32,000	17,551	14,449
6030 Total Expenditures	<u>35,422,457</u>	<u>35,422,457</u>	<u>35,408,008</u>	<u>14,449</u>
1200 Net Change in Fund Balances	1,188,049	1,188,049	2,125,888	937,839
0100 Fund Balance - July 1 (Beginning)	<u>12,993,552</u>	<u>12,993,552</u>	<u>12,993,552</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 14,181,601</u>	<u>\$ 14,181,601</u>	<u>\$ 15,119,440</u>	<u>\$ 937,839</u>

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

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

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the basic financial statements of McKinney Independent School District, McKinney, Texas, as of and for the year ended June 30, 2007, and have issued our report thereon dated September 27, 2007. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McKinney Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of School Trustees
Page Two

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

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

September 27, 2007

PINGLETON, HOWARD & COMPANY, P. C.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

McKinney Independent School District

1 Duvall Street
McKinney, Texas 75069

Members of the Board:

Compliance

We have audited the compliance of the McKinney Independent School District, McKinney, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. McKinney Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McKinney Independent School District's management. Our responsibility is to express an opinion on McKinney Independent School District's compliance based on our audit.

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

In our opinion McKinney Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

September 27, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2007

<u>Program</u>	<u>Description</u>	
Type of Report on Financial Statements	Unqualified	
Reportable Conditions	None	
Material Weaknesses Involving Reportable Conditions	None	
Noncompliance Material to the Financial Statements	None	
Type of Report on Compliance with Major Programs	Unqualified Opinion	
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None	
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$500,000	
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.	
Major Federal Programs	National School Breakfast & Lunch Program	10.555
Pass-through Entity	Texas Education Agency	

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For the Year Ended June 30, 2007

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
----------------	--

- NONE -

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan

For the Year Ended June 30, 2007

Program _____

Corrective Action Plan _____

- NONE -

Contact person: Mr. Steve Fortenberry
Chief Financial Officer

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Collin County Community College</u>			
Vocational Ed. Tech Prep	84.243		\$ 104,820
Total Passed Through Collin County Community College			\$ 104,820
<u>Passed Through Region X ESC</u>			
ESEA, Title I, Part C - Migratory Children	84.011		\$ 15,619
Total Passed Through Region X ESC			\$ 15,619
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	7610101043907	\$ 1,451,359
IDEA - Part B, Formula	84.027	7660001043907	2,615,628
IDEA - Part B, Discretionary	84.027	7660006043907	171,281
Total CFDA Number 84.027			2,786,909
IDEA - Part B, Preschool	84.173	7661001043907	60,313
ESEA Title IV - Safe and Drug-Free Schools	84.186A	7691001043907	66,694
ESEA, Title III, Subtitle B - Homeless Children	84.196	7671001043907	117,943
Title V, Part A - Innovative Programs	84.298	7685001043907	15,668
Title II, Part D -Enhancing Ed. Through Technology	84.318	7630001043907	15,581
Title III, Part A - English Language Acquisition	84.365A	7671001043907	187,121
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	7694501043907	459,847
Limited English Proficiency	84.369A	7955050243907	2,934
Hurricane Education Recovery	84.938C	7520301043907	248,726
Total Passed Through State Department of Education			\$ 5,413,095
TOTAL DEPARTMENT OF EDUCATION			\$ 5,533,534
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Department of Human Services</u>			
Medicaid Admin Claiming	93.778		\$ 19,002
Total Passed Through Texas Department of Human Services			\$ 19,002
<u>Passed Through State Department of Education</u>			
Head Start	93.600		\$ 347,716
Total Passed Through State Department of Education			\$ 347,716
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 366,718
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Department of Human Services</u>			
Donated Commodities	10.550		\$ 194,915
Total Passed Through Texas Department of Human Services			\$ 194,915
<u>Passed Through Texas Department of Human Services</u>			
National School Breakfast & Lunch Program*	10.555		\$ 2,387,169
Watershed Protection and Flood Control	10.904		2,757
Total Passed Through Texas Department of Human Services			\$ 2,389,926
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,584,841
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 8,485,093

*Clustered Programs as required by Compliance Supplement March, 2007

Note 1: School Health and Related Services reimbursements of \$942,357 are recorded as federal program revenue in the general fund, but are not considered awards for the purpose of this schedule.