

**MCKINNEY
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2008

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

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

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

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

/s/ Maria McKinzie
Signature of Board Secretary

/s/ Lewis Isaacks
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

TOM W. PINGLETON, CPA
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WHITNEY YOUNTS, CPA

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

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

Independent Auditor's Report

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

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District, McKinney Texas (the District) as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11 and the budgetary comparison information on 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 4, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *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 schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, 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 4, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1) 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. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purpose.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$89,427,110 on June 30, 2008. (See Table A-1).

Table A-1
The District's Net Assets

	Governmental Activities		Percentage
	2008	2007	Change
Current & Other Assets	113,418,447	108,499,999	4.53%
Capital & Non-Current Assets	435,262,831	392,880,871	10.79%
Total Assets	548,681,278	501,380,870	9.43%
Current Liabilities	55,392,379	53,512,722	3.51%
Long Term Liabilities	403,861,789	365,381,112	10.53%
Total Liabilities	459,254,168	418,893,834	9.63%
Net Assets			
Invested in Capital Assets			
net of related debt	23,323,678	4,299,738	442.44%
Restricted	19,615,296	34,565,113	-43.25%
Unrestricted	46,488,136	43,622,185	6.57%
Total Net Assets	89,427,110	82,487,036	8.41%

Governmental Activities - Net Assets

During the 2007-08 fiscal year, the District constructed one middle school, Cockrill Middle School and completed Phase 2 of McKinney Boyd High School. The construction of these facilities along with associated payments resulted in the increase in Capital Assets. The additional sale of bonds in fiscal year 07-08 resulted in an increase long term liabilities.

Table A-2
Changes in Net Assets

	Governmental Activities		Percentage Change
	2008	2007	
Revenues			
<u>Program Revenues</u>			
Charges for services	9,839,186	9,136,270	7.69%
Operating grants & contributions	16,888,601	15,317,211	10.26%
<u>General Revenues</u>			
Property taxes	129,011,772	137,006,857	-5.84%
State aid - formula	60,753,344	40,777,551	48.99%
Investment earnings	4,933,696	7,173,477	-31.22%
Grants & contributions not restricted	265,868	956,937	-72.22%
Other	5,359,122	4,357,291	22.99%
Total Revenues	227,051,589	214,725,594	5.74%
Expenses			
Instruction and instructional related	122,936,067	108,209,027	13.61%
Instructional leadership/school administration	13,982,140	12,536,283	11.53%
Guidance, social work, health, transportation	13,090,281	12,063,635	8.51%
Food services	7,891,817	7,280,247	8.40%
Extracurricular activities	6,617,398	6,453,308	2.54%
General administration	3,731,690	4,110,085	-9.21%
Plant maintenance & security	18,074,632	15,792,232	14.45%
Community services	3,238,449	2,751,554	17.70%
Data processing services	9,855,958	6,319,733	55.96%
Debt service	19,504,854	19,873,054	-1.85%
Contracted instructional services between public schools	395,090	108,584	263.86%
Other intergovernmental charges	793,139		
Total Expenses	220,111,515	195,497,742	12.59%
Extraordinary items-net			
Increase in Net Assets	6,940,074	19,227,852	-63.91%
Beginning Net Assets	82,487,036	63,259,184	30.40%
Ending Net Assets	89,427,110	82,487,036	8.41%

Governmental Activities-Changes in Net Assets

- State aid increased as legislation required a lowering of the property tax rate and additional state funding was granted to hold the school district harmless for the resulting decrease in revenue per pupil.
- Investment earnings decreased as interest rates fell.
- Grants and other contributions decreased from FY 07. Prior year amounts included the resolution of several claims from School Health Related Services.
- Expenditures for data processing services increased due to additional staffing and the purchase of new software systems for both business and student applications.
- The increases in most expense categories were associated with additional staffing to accommodate student enrollment growth.

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

- The cost of all *governmental* activities this period was \$220,111,515.
- The amount paid by MISD taxpayers for these governmental activities through property taxes was \$129,011,772.
- Some of the cost, \$9,839,186 was paid by those who directly benefited from the programs or by grants and contributions of \$16,888,601.

Table A-3
Net Cost of Selected District Functions

Total Cost of Services

Net Cost of Services

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2008</u>	<u>2007</u>	<u>% Change</u>	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Instruction	\$ 116,359,137	\$ 103,241,209	12.71%	\$ 103,870,551	\$ 92,046,232	12.85%
School leadership	10,427,499	9,455,140	10.28%	10,040,990	9,125,505	10.03%
Plant maintenance & operations	17,452,386	15,373,577	13.52%	16,560,925	14,538,226	13.91%
Debt service- interest & fiscal charges	19,281,824	19,817,196	-2.70%	19,281,824	19,817,196	-2.70%

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 5.7% from 19,983 in 2007 to 21,120 in 2008.

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 \$81,570,268 as compared to a fund balance ending June 30, 2007 of \$86,499,762. The primary reason for the difference was the fiscal year 2008 expenditures of fiscal year 2007 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, 2008

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2008, the District had invested \$435,262,831 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4.) Buildings and Improvements and Furniture and Equipment increased with the construction of Cockrill Middle School and Phase 2 of McKinney Boyd High School. Additional information on capital assets is contained in Note 4, Section D of the Notes to the Financial Statements.

Table A-4
District's Capital Assets
Governmental Activities

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

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

Table A-5
District's Long Term Debt

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

The loan payable was paid in full in FY 2008.

The District's bonds presently carry AAA Ratings by virtue of the Texas Permanent School Fund Bond Guarantee Program with underlying ratings as follows:

Moody's Investor Services "Aa3"

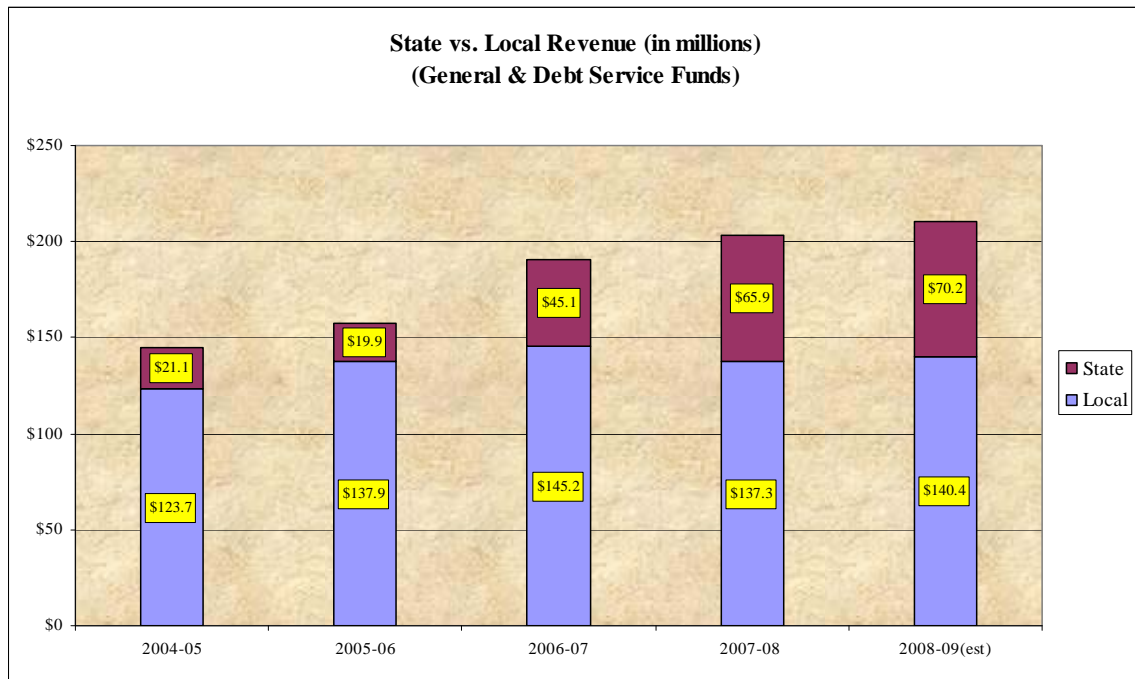
Standard & Poor's "AA"

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

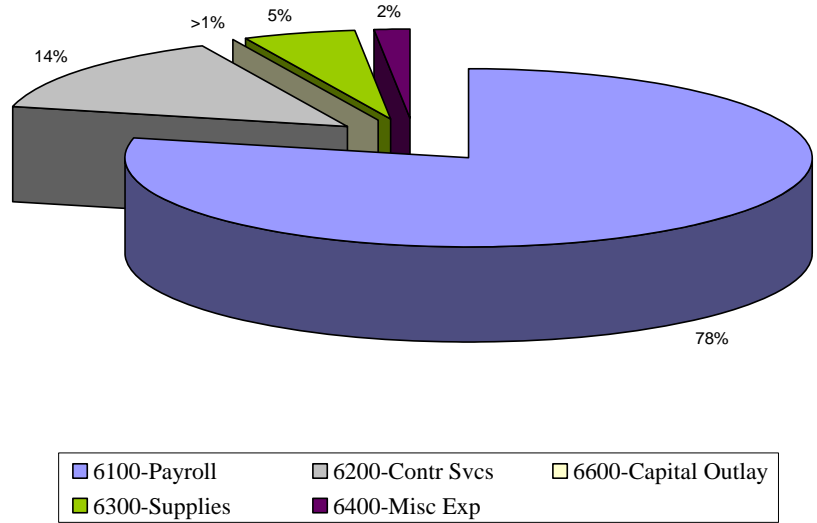
These indicators were taken into account when adopting the general fund budget for 2009. Revenues available for appropriation in the general fund budget are \$166,411,494, an increase of 3.8% over the final 2008 budget of \$160,279,385. The increase in available revenue is generated primarily by an increase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

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



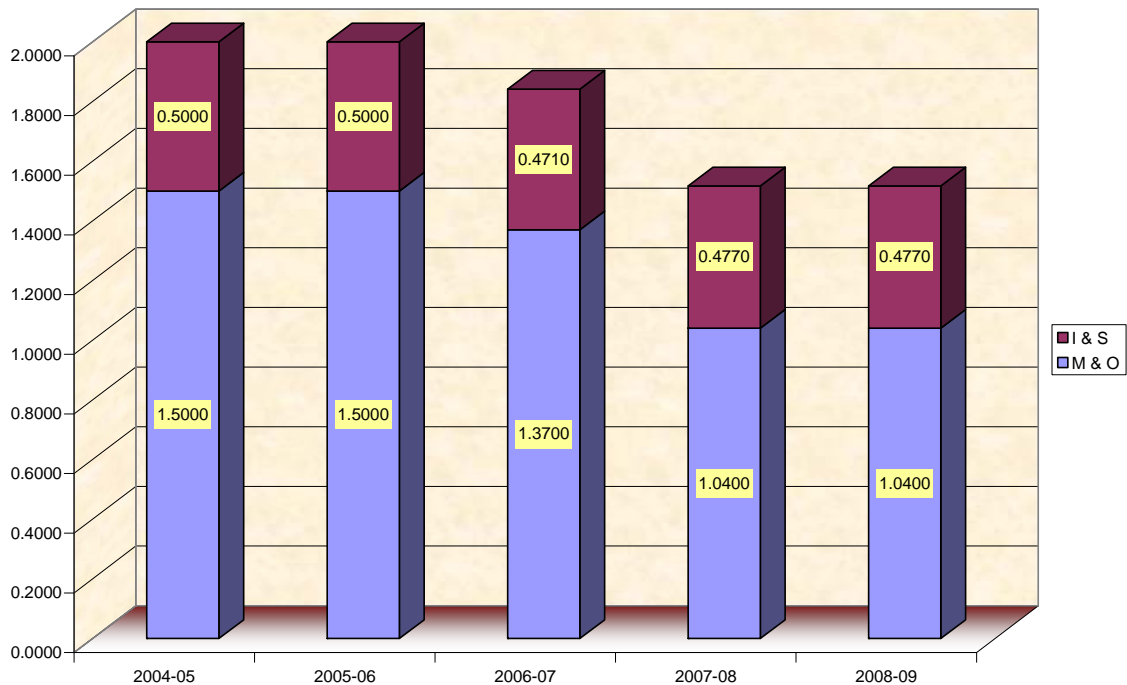
General fund expenditures for 2008-09 are budgeted to increase 5.5% to \$173.6 million. The largest increments are due to increased staffing for student growth, salary increases, and added costs for Cockrill Middle School.

2008-2009 Percent of General Fund Budget by Object



The District tax rate will be \$1.517 in 2009, 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 \$196,189 to \$201,768 in 2009.

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

McKinney ISD exists to provide an excellent education for all.



McKinney ISD exists to provide an excellent education for all.

BASIC FINANCIAL STATEMENTS

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

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 97,632,538
1220 Property Taxes Receivable (Delinquent)	4,932,321
1230 Allowance for Uncollectible Taxes	(147,970)
1240 Due from Other Governments	8,439,657
1250 Accrued Interest	58,221
1290 Other Receivables, net	912,649
1300 Inventories	508,245
1410 Deferred Expenses	595,542
1420 Capitalized Bond and Other Debt Issuance Costs	487,244
Capital Assets:	
1510 Land	23,036,441
1520 Buildings, Net	343,872,500
1530 Furniture and Equipment, Net	3,425,260
1580 Construction in Progress	64,928,630
1000 Total Assets	548,681,278
LIABILITIES	
2140 Interest Payable	7,500,795
2160 Accrued Wages Payable	16,469,114
2180 Due to Other Governments	321,374
2200 Accrued Expenses	9,137,532
2300 Deferred Revenues	648,564
Noncurrent Liabilities	
2501 Due Within One Year	21,954,423
2502 Due in More Than One Year	404,107,858
2600 Deferred Loss on Refunding Bonds	(885,492)
2000 Total Liabilities	459,254,168
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	23,323,678
3820 Restricted for Federal and State Programs	1,017,859
3850 Restricted for Debt Service	17,048,134
3860 Restricted for Capital Projects	1,549,303
3900 Unrestricted Net Assets	46,488,136
3000 Total Net Assets	\$ 89,427,110

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, 2008

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	\$ 116,359,137	\$ 900,298	\$ 11,588,288	\$ (103,870,551)
12 Instructional Resources and Media Services	4,664,122	-	98,738	(4,565,384)
13 Curriculum and Instructional Staff Development	1,912,808	-	553,619	(1,359,189)
21 Instructional Leadership	3,554,641	-	281,875	(3,272,766)
23 School Leadership	10,427,499	-	386,509	(10,040,990)
31 Guidance, Counseling and Evaluation Services	5,255,309	-	463,430	(4,791,879)
32 Social Work Services	270,000	-	-	(270,000)
33 Health Services	1,732,230	-	94,733	(1,637,497)
34 Student (Pupil) Transportation	5,832,742	-	4,656	(5,828,086)
35 Food Services	7,891,817	4,454,839	2,911,962	(525,016)
36 Extracurricular Activities	6,617,398	585,932	146,218	(5,885,248)
41 General Administration	3,731,690	-	104,807	(3,626,883)
51 Plant Maintenance and Operations	17,452,386	771,316	120,145	(16,560,925)
52 Security and Monitoring Services	622,246	-	12,781	(609,465)
53 Data Processing Services	9,855,958	-	120,123	(9,735,835)
61 Community Services	3,238,449	3,126,801	717	(110,931)
72 Debt Service - Interest on Long Term Debt	19,281,824	-	-	(19,281,824)
73 Debt Service - Bond Issuance Cost and Fees	223,030	-	-	(223,030)
95 Payments to Juvenile Justice Alternative Ed. Prg.	395,090	-	-	(395,090)
99 Other Intergovernmental Charges	793,139	-	-	(793,139)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 220,111,515	\$ 9,839,186	\$ 16,888,601	(193,383,728)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		88,444,340
DT	Property Taxes, Levied for Debt Service		40,567,432
SF	State Aid - Formula Grants		60,753,344
GC	Grants and Contributions not Restricted		265,868
IE	Investment Earnings		4,933,696
MI	Miscellaneous Local and Intermediate Revenue		5,359,122
TR	Total General Revenues		200,323,802
CN	Change in Net Assets		6,940,074
NB	Net Assets--Beginning		82,487,036
NE	Net Assets--Ending		\$ 89,427,110

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

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

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 62,159,747	\$ 17,352,317	\$ 15,159,932
1220 Property Taxes - Delinquent	3,536,029	1,396,292	-
1230 Allowance for Uncollectible Taxes (Credit)	(106,081)	(41,889)	-
1240 Due from Other Governments	6,605,352	-	-
1250 Accrued Interest	40,961	17,260	-
1290 Other Receivables	813,276	99,373	-
1300 Inventories	508,245	-	-
1410 Deferred Expenditures	494,002	-	10,000
1000 Total Assets	<u>\$ 74,051,531</u>	<u>\$ 18,823,353</u>	<u>\$ 15,169,932</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2160 Accrued Wages Payable	\$ 15,678,173	\$ -	\$ -
2180 Due to Other Governments	254,254	-	51,095
2200 Accrued Expenditures	1,317,387	-	7,783,687
2300 Deferred Revenues	3,605,309	1,775,219	-
2000 Total Liabilities	<u>\$ 20,855,123</u>	<u>\$ 1,775,219</u>	<u>\$ 7,834,782</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 508,245	\$ -	\$ -
3420 Retirement of Long Term Debt	-	17,048,134	-
3430 Prepaid Items	494,002	-	-
3450 Food Service	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	7,335,150
3530 Capital Expenditures for Equipment	206,094	-	-
3590 Other Purposes	90,899	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	51,897,168	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>\$ 53,196,408</u>	<u>\$ 17,048,134</u>	<u>\$ 7,335,150</u>
4000 Total Liabilities and Fund Balances	<u>\$ 74,051,531</u>	<u>\$ 18,823,353</u>	<u>\$ 15,169,932</u>

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

Other Funds	Total Governmental Funds
\$ 2,960,542	\$ 97,632,538
-	4,932,321
-	(147,970)
1,834,305	8,439,657
-	58,221
-	912,649
-	508,245
91,540	595,542
<u>\$ 4,886,387</u>	<u>\$ 112,931,203</u>
\$ 790,941	\$ 16,469,114
16,025	321,374
36,458	9,137,532
52,387	5,432,915
<u>\$ 895,811</u>	<u>\$ 31,360,935</u>
\$ -	\$ 508,245
-	17,048,134
-	494,002
1,017,859	1,017,859
-	7,335,150
-	206,094
-	90,899
-	51,897,168
2,972,717	2,972,717
<u>\$ 3,990,576</u>	<u>\$ 81,570,268</u>
<u>\$ 4,886,387</u>	<u>\$ 112,931,203</u>

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

Total Fund Balances - Governmental Funds	\$	81,570,268
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$463,624,765 and the accumulated depreciation was \$70,743,894. In addition, long-term liabilities, including bonds payable of \$383,633,452 and loans payable of \$2,377,052, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		6,870,367
2 Current year capital outlays of \$53,363,672 and long-term debt principal payments of \$21,818,281 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.		75,181,953
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.		(7,500,795)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements, but is included on the government-wide financial statements. The effect of showing accreted interest is to decrease net assets.		(837,777)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(10,981,712)
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.		(54,875,194)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>89,427,110</u>

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, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 95,824,071	\$ 41,497,186	\$ 1,549,303
5800 State Program Revenues	65,749,397	116,959	-
5900 Federal Program Revenues	265,868	-	-
5020 Total Revenues	<u>161,839,336</u>	<u>41,614,145</u>	<u>1,549,303</u>
EXPENDITURES:			
Current:			
0011 Instruction	95,961,022	-	-
0012 Instructional Resources and Media Services	2,924,933	-	-
0013 Curriculum and Instructional Staff Development	1,466,844	-	-
0021 Instructional Leadership	3,363,552	-	-
0023 School Leadership	9,532,010	-	-
0031 Guidance, Counseling and Evaluation Services	4,983,865	-	-
0032 Social Work Services	270,000	-	-
0033 Health Services	1,697,953	-	-
0034 Student (Pupil) Transportation	5,830,129	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	5,220,303	-	-
0041 General Administration	3,528,369	-	-
0051 Facilities Maintenance and Operations	16,656,543	-	-
0052 Security and Monitoring Services	515,736	-	-
0053 Data Processing Services	5,004,626	-	-
0061 Community Services	181,840	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	19,441,229	2,377,052
0072 Debt Service - Interest on Long Term Debt	69,944	20,487,683	-
0073 Debt Service - Bond Issuance Cost and Fees	-	12,906	172,000
Capital Outlay:			
0081 Facilities Acquisition and Construction	22,681	-	63,194,397
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	395,090	-	-
0099 Other Intergovernmental Charges	793,139	-	-
6030 Total Expenditures	<u>158,418,579</u>	<u>39,941,818</u>	<u>65,743,449</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,420,757</u>	<u>1,672,327</u>	<u>(64,194,146)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	52,695,000
7912 Sale of Real and Personal Property	8,991	-	-
7915 Transfers In	100,000	-	-
7916 Premium or Discount on Issuance of Bonds	-	256,367	172,000
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>108,991</u>	<u>256,367</u>	<u>52,867,000</u>
1200 Net Change in Fund Balances	3,529,748	1,928,694	(11,327,146)
0100 Fund Balance - July 1 (Beginning)	<u>49,666,660</u>	<u>15,119,440</u>	<u>18,662,296</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 53,196,408</u>	<u>\$ 17,048,134</u>	<u>\$ 7,335,150</u>

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

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
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, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	(4,929,494)
Current year capital outlays of \$53,363,672 and long-term debt principal payments of \$21,818,281 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.		75,181,953
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.		(578,995)
Accreted interest on capital appreciation bonds has not been included on the fund financial statements, but is shown on the government-wide financial statements. The net effect of showing accreted interest is to increase net assets.		1,732,852
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.		(10,981,712)
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.		(53,484,530)
Change in Net Assets of Governmental Activities	\$	6,940,074

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, 2008

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 15,572	\$ 215,436
Total Assets	<u>15,572</u>	<u>\$ 215,436</u>
LIABILITIES		
Due to Student Groups	-	\$ 215,416
Accrued Expenses	-	20
Total Liabilities	<u>-</u>	<u>\$ 215,436</u>
NET ASSETS		
Investments in Capital Assets, Net of Debt	10,000	
Unrestricted Net Assets	<u>5,572</u>	
Total Net Assets	<u>\$ 15,572</u>	

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

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

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 706
Total Additions	<u>706</u>
Change in Net Assets	706
Total Net Assets - July 1 (Beginning)	<u>14,866</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 15,572</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, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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, 2008

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2008

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Due From (To) Other Funds

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are 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, 2008

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Vacation and Sick Leave

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

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond 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, 2008, Reserved Fund Balance includes \$508,245 for inventories and \$494,002 for prepaid items in the General Fund. Debt Service Fund reserves total \$17,048,134 for retirement of funded indebtedness as of June 30, 2008. A total of \$7,335,150 has been designated for authorized construction programs in the Capital Projects Fund. The Special Revenue Fund reserves total \$1,017,859 for Food Service. Unreserved Designated Fund Balances include \$206,094 for capital acquisition of operating software and \$90,899 for JJAEP 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.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$(54,875,194) adjustment are as follows:

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	\$ 2,660,481
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>2,123,870</u>
	<u>4,784,351</u>

Long-term debt:

Issuance of bonds payable	(52,695,000)
Premium and issuance costs on bonds	(7,850,037)
Deferred loss on refunding bonds	<u>885,492</u>
	<u>(59,659,545)</u>

Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(54,875,194)</u>
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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

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

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

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(53,484,530) adjustment are as follows:

Taxes:

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

Long-term debt:

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

Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities	\$ <u>(53,484,530)</u>
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NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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

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

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal period beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
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.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-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, 2008 Fund Balance</u>	
Appropriated budget funds - Food Service Special Revenue Fund	\$ 1,017,859
Nonappropriated budget funds	<u>2,972,717</u>
All Special Revenue Funds	<u>\$ 3,990,576</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, 2008, the carrying amount of the District's cash, savings, and time deposits was \$(2,132,063). The bank balance was \$787,887. The District's combined deposits at June 30, 2008 and during the year ended June 30, 2008 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, 2008

-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 \$ 12,095,335.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 11,409,155 and occurred during the month of May.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 111,986.

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.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with American National Bank of Texas, Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year 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, 2008, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
U. S. Government securities	\$ 12,634,880
TexStar investment pool	41,090,805
State Treasurer's investment pool	36,268,622
Certificate of Deposit	<u>10,000,000</u>
Total	\$ <u>99,994,307</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2007, upon which the levy for the 2007-08 fiscal period was based, was \$8,483,216,022. The roll was subsequently increased to a period end assessed value of \$8,576,963,100. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the period ended June 30, 2008, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.477 per \$100 valuation, respectively, for the total of \$1.517 per \$100 valuation.

Total tax collections for the year ended June 30, 2008, 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, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,429,949 and \$1,354,403 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, 2008, 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	\$ 130,331	6,475,021		6,605,352
Special revenue	_____	<u>157,683</u>	<u>1,676,622</u>	<u>1,834,305</u>
Total	\$ <u>130,331</u>	<u>6,632,704</u>	<u>1,676,622</u>	<u>8,439,657</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Government activities:				
Land	\$ 18,998,673	4,037,768		23,036,441
Buildings and improvements	388,661,056	31,557,183		420,218,239
Furniture and equipment	7,642,262	1,162,865	(128,812)	8,676,315
Construction in progress	<u>48,322,774</u>	<u>47,629,318</u>	<u>(31,023,462)</u>	<u>64,928,630</u>
Totals at historical cost	<u>463,624,765</u>	<u>84,387,134</u>	<u>(31,152,274)</u>	<u>516,859,625</u>
Less accumulated depreciation for:				
Buildings and improvements	(66,130,696)	(10,215,043)		(76,345,739)
Furniture and equipment	<u>(4,613,198)</u>	<u>(766,669)</u>	<u>128,812</u>	<u>(5,251,055)</u>
Total accumulated depreciation	<u>(70,743,894)</u>	<u>(10,981,712)</u>	<u>128,812</u>	<u>(81,596,794)</u>
Governmental activities capital assets, net	<u>\$ 392,880,871</u>	<u>73,405,422</u>	<u>(31,023,462)</u>	<u>435,262,831</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,165,683
Instructional resources and media	233,896
School leadership	135,904
Food services	664,827
Extracurricular activities	1,063,957
General administration	61,223
Plant maintenance and operations	164,537
Security and monitoring services	2,314
Data processing services	<u>489,371</u>
Total depreciation expense	<u>\$ 10,981,712</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

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NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

At June 30, 2008, the District had several projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

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

F. Loans Payable

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Total loans payable	\$ <u>2,377,052</u>		<u>(2,377,052)</u>	<u>0</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 expense for the year was \$69,944. The loan was paid in full on August 30, 2007.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable

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

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

General obligation bonds consist of 1995, 1998 - 2002, and 2004-2007 School Building Bonds bearing interest at 4.00 - 6.00% per annum and 1987, 1999 and 2003-2005 Refunding Bonds bearing interest at 3.00 - 9.00% per annum. Interest expense for the year on all bonded indebtedness was \$20,487,683.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 20,477,223	20,839,899	41,317,122
2010	21,310,000	19,114,216	40,424,216
2011	21,585,000	18,167,860	39,752,860
2012	22,605,000	17,179,488	39,784,488
2013	23,360,000	16,146,909	39,506,909
2014-2018	129,350,000	62,960,645	192,310,645
2019-2023	94,865,000	31,968,261	126,833,261
2024-2028	50,670,000	15,584,850	66,254,850
2029-2032	<u>32,665,000</u>	<u>3,421,744</u>	<u>36,086,744</u>
Total	<u>\$ 416,887,223</u>	<u>205,383,872</u>	<u>622,271,095</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable (continued)

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2008.

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, 2008, \$69,455,000 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 2008, 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, 2008, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

C. Subsequent Event

On September 23, 2008, the District issued \$50,580,000 of School Building Bonds to construct, renovate, and equip school facilities and to pay costs associated with the issuance of the bonds. The District has \$24,740,000 of authorized, but unissued bonds.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 5 OTHER INFORMATION (continued)

D. Revenues from Local and Intermediate Sources

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

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

E. Deferred Revenue

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

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

F. Health Care Coverage

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Health Care Coverage (continued)

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

G. Pension Plan Obligations

1. Teacher Retirement System of Texas

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2006, 2007 and 2008 and a state contribution rate of 6.0% for fiscal years 2006 and 2007 and 6.58% for fiscal year 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.00% contribution for fiscal years 2006 and 2007 and 6.58% for fiscal year 2008. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2006, 2007 and 2008 were \$3,692,394, \$4,315,828, and \$5,113,012, respectively. The District

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

paid additional state contributions for the years ended June 30, 2006, 2007 and 2008 in the amount of \$946,575, \$1,141,924, and \$1,640,148, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

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, JEM Resource Partners, 4201 Bee Caves Road, Suite C-101, Austin, Texas 78746.

Funding Policy - Under the plan provisions, the District contributes 100% of plan members contributions to their 403(b) or 457 plan, up to one-half of one percent of the plan member's gross annual compensation. District contributions for the year ended June 30, 2008 were \$195,639. 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.

H. Retiree Health Plan

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2008

-continued-

NOTE 5 OTHER INFORMATION (continued)

H. Retiree Health Plan (continued)

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2006, 2007, and 2008. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2006, 2007, and 2008, the State's contributions to TRS-Care were \$802,055, \$943,547, and \$1,078,379, respectively, the active member contributions were \$521,336, \$613,306, and \$700,953, respectively, and the school district's contributions were \$441,131, \$518,951, and \$593,094, respectively, which equaled the required contributions each year.

I. Workers' Compensation Insurance

During the year ended June 30, 2008, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully fund those reserves. As of August 31, 2007, the Fund carries a discounted reserve of \$74,463,095 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2007, 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, 2007, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

REQUIRED SUPPLEMENTAL INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 90,568,742	\$ 93,286,847	\$ 95,824,071	\$ 2,537,224
5800 State Program Revenues	71,811,404	66,867,538	65,749,397	(1,118,141)
5900 Federal Program Revenues	125,000	125,000	265,868	140,868
5020 Total Revenues	162,505,146	160,279,385	161,839,336	1,559,951
EXPENDITURES:				
Current:				
0011 Instruction	97,921,093	98,367,885	95,961,022	2,406,863
0012 Instructional Resources and Media Services	2,959,460	2,959,938	2,924,933	35,005
0013 Curriculum and Instructional Staff Development	1,739,437	1,715,359	1,466,844	248,515
0021 Instructional Leadership	3,408,388	3,374,897	3,363,552	11,345
0023 School Leadership	9,678,196	9,719,627	9,532,010	187,617
0031 Guidance, Counseling and Evaluation Services	5,053,975	5,080,877	4,983,865	97,012
0032 Social Work Services	277,000	276,750	270,000	6,750
0033 Health Services	1,743,254	1,769,259	1,697,953	71,306
0034 Student (Pupil) Transportation	6,630,064	6,658,516	5,830,129	828,387
0036 Extracurricular Activities	5,364,976	5,343,171	5,220,303	122,868
0041 General Administration	4,351,479	3,602,790	3,528,369	74,421
0051 Facilities Maintenance and Operations	18,041,437	18,079,215	16,656,543	1,422,672
0052 Security and Monitoring Services	725,086	736,537	515,736	220,801
0053 Data Processing Services	4,280,757	5,349,474	5,004,626	344,848
0061 Community Services	195,111	197,756	181,840	15,916
Debt Service:				
0072 Debt Service - Interest on Long Term Debt	142,624	69,944	69,944	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	100,000	38,067	22,681	15,386
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	125,000	435,090	395,090	40,000
0099 Other Intergovernmental Charges	-	793,139	793,139	-
6030 Total Expenditures	162,737,337	164,568,291	158,418,579	6,149,712
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(232,191)	(4,288,906)	3,420,757	7,709,663
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	8,991	8,991
7915 Transfers In	100,000	100,000	100,000	-
7080 Total Other Financing Sources (Uses)	100,000	100,000	108,991	8,991
1200 Net Change in Fund Balances	(132,191)	(4,188,906)	3,529,748	7,718,654
0100 Fund Balance - July 1 (Beginning)	49,666,660	49,666,660	49,666,660	-
3000 Fund Balance - June 30 (Ending)	\$ 49,534,469	\$ 45,477,754	\$ 53,196,408	\$ 7,718,654

COMBINING STATEMENTS

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

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

212 ESEA Title I Part C Migrant	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary	240 National Breakfast and Lunch Program	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology
\$ (3,598)	\$ (371,084)	\$ (5,606)	\$ (647)	\$ 948,997	\$ (40,289)	\$ (41,473)	\$ -
5,594	811,861	12,413	-	76,235	51,133	107,137	-
-	11,170	1,050	647	-	2,899	-	-
<u>\$ 1,996</u>	<u>\$ 451,947</u>	<u>\$ 7,857</u>	<u>\$ -</u>	<u>\$ 1,025,232</u>	<u>\$ 13,743</u>	<u>\$ 65,664</u>	<u>\$ -</u>
\$ 1,996	\$ 450,140	\$ 7,857	\$ -	\$ -	\$ 11,743	\$ 65,664	\$ -
-	-	-	-	-	-	-	-
-	1,807	-	-	7,373	2,000	-	-
-	-	-	-	-	-	-	-
<u>1,996</u>	<u>451,947</u>	<u>7,857</u>	<u>-</u>	<u>7,373</u>	<u>13,743</u>	<u>65,664</u>	<u>-</u>
-	-	-	-	1,017,859	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,017,859	-	-	-
<u>\$ 1,996</u>	<u>\$ 451,947</u>	<u>\$ 7,857</u>	<u>\$ -</u>	<u>\$ 1,025,232</u>	<u>\$ 13,743</u>	<u>\$ 65,664</u>	<u>\$ -</u>

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

Data Control Codes	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (63,034)	\$ (5,188)	\$ (29,999)	\$ 10,401
1240	Due from Other Governments	70,867	5,188	29,999	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 7,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,401</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 7,533	\$ -	\$ -	\$ -
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	300	-	-	-
2300	Deferred Revenues	-	-	-	10,401
2000	Total Liabilities	<u>7,833</u>	<u>-</u>	<u>-</u>	<u>10,401</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>\$ 7,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,401</u>

392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Accelerated Reading	411 Technology Allotment	423 High School Allotment	428 Excellence Award Program
\$ (15,092)	\$ (4,645)	\$ 23,494	\$ (46,891)	\$ (48,369)	\$ 164,512	\$ 1,252,574	\$ (8,964)
15,092	4,645	-	46,891	48,369	-	-	8,964
-	-	4,950	-	-	-	26,600	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,512</u>	<u>\$ 1,279,174</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,145	\$ -
-	-	-	-	-	16,025	-	-
-	-	-	-	-	-	1,216	-
-	-	28,444	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>28,444</u>	<u>-</u>	<u>-</u>	<u>16,025</u>	<u>3,361</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	148,487	1,275,813	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,487</u>	<u>1,275,813</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,512</u>	<u>\$ 1,279,174</u>	<u>\$ -</u>

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

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (33,714)	\$ 1,449,623	\$ 94,897	\$ 2,960,542
1240	Due from Other Governments	33,723	-	-	1,834,305
1410	Deferred Expenditures	-	2,852	37,157	91,540
1000	Total Assets	<u>\$ 9</u>	<u>\$ 1,452,475</u>	<u>\$ 132,054</u>	<u>\$ 4,886,387</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ 790,941
2180	Due to Other Governments	-	-	-	16,025
2200	Accrued Expenditures	9	22,505	65	36,458
2300	Deferred Revenues	-	11,907	1,635	52,387
2000	Total Liabilities	<u>9</u>	<u>34,412</u>	<u>1,700</u>	<u>895,811</u>
Fund Balances:					
Reserved For:					
3450	Food Service	-	-	-	1,017,859
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	1,418,063	130,354	2,972,717
3000	Total Fund Balances	<u>-</u>	<u>1,418,063</u>	<u>130,354</u>	<u>3,990,576</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9</u>	<u>\$ 1,452,475</u>	<u>\$ 132,054</u>	<u>\$ 4,886,387</u>

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

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title III - B Homeless	211 ESEA I, A Improving Basic Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	46,996	284,344	130,353	1,596,891
5020 Total Revenues	<u>46,996</u>	<u>284,344</u>	<u>130,353</u>	<u>1,596,891</u>
EXPENDITURES:				
Current:				
0011 Instruction	5,838	284,344	129,239	1,593,720
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	30,775	-	-	1,044
0021 Instructional Leadership	1,630	-	1,114	882
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	8,009	-	-	-
0033 Health Services	338	-	-	-
0034 Student (Pupil) Transportation	156	-	-	798
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	250	-	-	447
6030 Total Expenditures	<u>46,996</u>	<u>284,344</u>	<u>130,353</u>	<u>1,596,891</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
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>	<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	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ -	\$ -	\$ -	\$ 4,461,504	\$ -	\$ -	\$ -
-	-	-	-	41,501	-	-	-
14,683	3,245,114	71,611	11,432	2,870,461	76,352	469,191	13,673
<u>14,683</u>	<u>3,245,114</u>	<u>71,611</u>	<u>11,432</u>	<u>7,373,466</u>	<u>76,352</u>	<u>469,191</u>	<u>13,673</u>
8,715	2,780,391	71,591	11,432	-	45,726	469,191	-
-	-	-	-	-	-	-	-
-	75,725	-	-	-	30,466	-	13,673
5,968	89,055	-	-	-	80	-	-
-	-	-	-	-	-	-	-
-	258,043	-	-	-	80	-	-
-	-	-	-	-	-	-	-
-	-	-	-	7,138,984	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	41,900	-	-	-	-	-	-
-	-	20	-	-	-	-	-
<u>14,683</u>	<u>3,245,114</u>	<u>71,611</u>	<u>11,432</u>	<u>7,138,984</u>	<u>76,352</u>	<u>469,191</u>	<u>13,673</u>
-	-	-	-	234,482	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	234,482	-	-	-
-	-	-	-	783,377	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,859</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, 2008

Data Control Codes	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC	289 Other Federal Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	241,195	23,719	22,820	11,068
5020 Total Revenues	<u>241,195</u>	<u>23,719</u>	<u>22,820</u>	<u>11,068</u>
EXPENDITURES:				
Current:				
0011 Instruction	152,383	23,719	-	11,068
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	19,551	-	-	-
0021 Instructional Leadership	67,602	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0033 Health Services	-	-	22,820	-
0034 Student (Pupil) Transportation	1,659	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>241,195</u>	<u>23,719</u>	<u>22,820</u>	<u>11,068</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	404 Accelerated Reading	411 Technology Allotment	423 High School Allotment	428 Excellence Award Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24,601	49,093	31,332	54,724	239,093	621,363	1,465,090	84,897
-	-	-	-	-	-	-	-
<u>24,601</u>	<u>49,093</u>	<u>31,332</u>	<u>54,724</u>	<u>239,093</u>	<u>621,363</u>	<u>1,465,090</u>	<u>84,897</u>
24,601	49,093	31,332	22,932	239,093	539,126	873,229	84,494
-	-	-	-	-	-	-	-
-	-	-	31,792	-	-	215,429	403
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>24,601</u>	<u>49,093</u>	<u>31,332</u>	<u>54,724</u>	<u>239,093</u>	<u>539,126</u>	<u>1,088,658</u>	<u>84,897</u>
-	-	-	-	-	82,237	376,432	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	82,237	376,432	-
-	-	-	-	-	66,250	899,381	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,487</u>	<u>\$ 1,275,813</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, 2008

Data Control Codes	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 3,120,905	\$ 3,126,801	\$ 10,709,210
5800	State Program Revenues	33,992	-	-	2,645,686
5900	Federal Program Revenues	-	-	-	9,129,903
5020	Total Revenues	<u>33,992</u>	<u>3,120,905</u>	<u>3,126,801</u>	<u>22,484,799</u>
EXPENDITURES:					
Current:					
0011	Instruction	8,420	1,509,225	-	8,968,902
0012	Instructional Resources and Media Services	66	263,587	-	263,653
0013	Curriculum and Instructional Staff Development	25,506	1,600	-	445,964
0021	Instructional Leadership	-	-	-	166,331
0023	School Leadership	-	758,285	-	758,285
0031	Guidance, Counseling and Evaluation Services	-	-	-	266,132
0033	Health Services	-	-	-	23,158
0034	Student (Pupil) Transportation	-	-	-	2,613
0035	Food Services	-	-	-	7,138,984
0036	Extracurricular Activities	-	190,052	-	190,052
0041	General Administration	-	1,120	-	1,120
0051	Facilities Maintenance and Operations	-	59,911	-	59,911
0052	Security and Monitoring Services	-	56,205	-	56,205
0053	Data Processing Services	-	-	-	41,900
0061	Community Services	-	165,215	2,896,447	3,062,379
6030	Total Expenditures	<u>33,992</u>	<u>3,005,200</u>	<u>2,896,447</u>	<u>21,445,589</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>115,705</u>	<u>230,354</u>	<u>1,039,210</u>
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(100,000)	(100,000)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
1200	Net Change in Fund Balance	-	115,705	130,354	939,210
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>1,302,358</u>	<u>-</u>	<u>3,051,366</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 1,418,063</u>	<u>\$ 130,354</u>	<u>\$ 3,990,576</u>

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

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

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

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

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REQUIRED T.E.A. SCHEDULES

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

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1999 and prior years	Various	Various	\$ Various
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	1.370000	0.471000	7,457,875,177
2008 (School year under audit)	1.040000	0.477000	8,417,974,951
1000 TOTALS			

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

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

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

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

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 179,864,173

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 696,550
Total Debt & Lease(6500)	(11)	69,944
Plant Maintenance (Function 51, 6100-6400)	(12)	16,504,496
Food (Function 35, 6341 and 6499)	(13)	274,307
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		4,681,032

SubTotal:

22,226,328

Net Allowed Direct Cost

\$ 157,637,845

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 420,218,239
Historical Cost of Building over 50 years old	(16)	\$ 370,326
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 8,676,315
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$3,266,072 in Function 53 expenditures are included in this report on administrative costs.

\$793,139 in Function 99 expenditures for appraisal district costs 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, 2008

UNAUDITED

1	Total General Fund Balance as of 6/30/08 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 53,196,408
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 1,002,247	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	296,993	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	24,852,494	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).	14,466,647	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	6,475,021	
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)	1,029,939	
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)	3,000,000	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		51,123,341
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		\$ 2,073,067

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

The excess balance represents approximately 4 percent of the optimum fund balance and cash flow. The balance should be decreased in the 2008-2009 school year as the District adopted a budget which will be financed in part by use of fund balance.

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,628,313	\$ 5,228,313	\$ 4,461,504	\$ (766,809)
5800 State Program Revenues	34,531	34,531	41,501	6,970
5900 Federal Program Revenues	2,624,032	2,624,032	2,870,461	246,429
5020 Total Revenues	7,286,876	7,886,876	7,373,466	(513,410)
EXPENDITURES:				
0035 Food Services	6,824,627	7,610,941	7,138,984	471,957
0051 Facilities Maintenance and Operations	193	193	-	193
6030 Total Expenditures	6,824,820	7,611,134	7,138,984	472,150
1200 Net Change in Fund Balances	462,056	275,742	234,482	(41,260)
0100 Fund Balance - July 1 (Beginning)	783,377	783,377	783,377	-
3000 Fund Balance - June 30 (Ending)	\$ 1,245,433	\$ 1,059,119	\$ 1,017,859	\$ (41,260)

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 41,404,110	\$ 40,729,206	\$ 41,497,186	\$ 767,980
5800	State Program Revenues	87,729	-	116,959	116,959
5020	Total Revenues	41,491,839	40,729,206	41,614,145	884,939
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	18,526,230	19,441,230	19,441,229	1
0072	Debt Service - Interest on Long Term Debt	21,755,643	20,487,684	20,487,683	1
0073	Debt Service - Bond Issuance Cost and Fees	50,000	50,000	12,906	37,094
6030	Total Expenditures	40,331,873	39,978,914	39,941,818	37,096
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,159,966	750,292	1,672,327	922,035
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	-	256,366	256,367	1
7080	Total Other Financing Sources (Uses)	-	256,366	256,367	1
1200	Net Change in Fund Balances	1,159,966	1,006,658	1,928,694	922,036
0100	Fund Balance - July 1 (Beginning)	15,119,440	15,119,440	15,119,440	-
3000	Fund Balance - June 30 (Ending)	\$ 16,279,406	\$ 16,126,098	\$ 17,048,134	\$ 922,036

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE 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, 2008, and have issued our report thereon dated September 4, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McKinney Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of McKinney Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of McKinney Independent School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance

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

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

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

September 4, 2008

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 148
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

Compliance

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

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

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

Internal Control Over Compliance

The administration of McKinney Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered McKinney Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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 4, 2008

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For the Year Ended June 30, 2008

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

- NONE -

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

Program _____

Corrective Action Plan _____

- NONE -

Contact person: Mr. Steve Fortenberry
Chief Financial Officer

MCKINNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

(1)	(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 Region X ESC</u>			
ESEA, Title I, Part C - Migratory Children	84.011	8615001057950	\$ 14,683
IDEA - Part B, Preschool	84.173	86610010439076610	13,153
ESEA Title IV - Safe and Drug-Free Schools	84.186A	8691001043907	46,996
ESEA, Title III, Subtitle B - Homeless Children	84.196	8671001043907	130,353
Title V, Part A - Innovative Programs	84.298	8685001043907	23,719
Title III, Part A - English Language Acquisition	84.365A	8671001043907	241,195
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	8694501043907	469,191
Total Passed Through Region X ESC			\$ 939,290
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	8610101043907	\$ 1,596,891
IDEA - Part B, Formula	84.027	8660001043907	3,245,114
IDEA - Part B, Discretionary	84.027	8660006043907	11,432
Total CFDA Number 84.027			3,256,546
Career and Technical - Basic Grant	84.048	8420006043907	76,352
IDEA - Part B, Preschool	84.173	8661001043907	58,458
Title II, Part D -Enhancing Ed. Through Technology	84.318	8630001043907	13,673
Summer School LEP	84.369A	8955050243907	11,068
Total Passed Through State Department of Education			\$ 5,012,988
TOTAL DEPARTMENT OF EDUCATION			\$ 5,952,278
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region X ESC</u>			
Head Start	93.600	06CH0391	\$ 284,344
Total Passed Through Region X ESC			\$ 284,344
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 22,820
Total Passed Through Texas Dept of Human Services			\$ 22,820
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 307,164
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through Texas Dept of Human Services</u>			
Donated Commodities	10.550		\$ 274,063
Total Passed Through Texas Dept of Human Services			\$ 274,063
<u>Passed Through Texas Dept of Human Services</u>			
National School Breakfast & Lunch Program	10.555		\$ 2,596,398
Watershed Protection and Flood Control	10.904		1,866
Total Passed Through Texas Dept of Human Services			\$ 2,598,264
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,872,327
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 9,131,769

Note 1: School Health and Related Services reimbursements of \$264,002 are recorded as federal program revenue in the general fund, but are not considered awards for the purpose of this schedule.