

**MCKINNEY
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2010

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2010

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 Financial Report
 For the Year Ended June 30, 2010
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CERTIFICATE OF BOARD

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

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and (X) approved () disapproved for the year ended June 30, 2010, at a meeting of the Board of School Trustees of such school district on the 26th day of October, 2010.

Signature on File
Signature of Board Secretary

Signature on File
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, 2010, 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11 and the budgetary comparison information on page 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of 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 August 31, 2010 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.

Signature on File

August 31, 2010

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, 2010. 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 \$83,690,458 on June 30, 2010. (See Table A-1).

Table A-1
The District's Net Assets

	Governmental Activities		Percentage
	2010	2009	Change
Current & Other Assets	124,127,412	146,072,162	-15.02%
Capital & Non-Current Assets	447,088,829	446,126,134	0.22%
Total Assets	571,216,241	592,198,296	-3.54%
Current Liabilities	51,792,785	52,517,373	-1.38%
Long Term Liabilities	435,732,998	458,117,105	-4.89%
Total Liabilities	487,525,783	510,634,478	-4.53%
Net Assets			
Invested in Capital Assets			
net of related debt	26,191,075	22,731,150	15.22%
Restricted	19,897,165	19,156,712	3.87%
Unrestricted	37,602,218	39,675,956	-5.23%
Total Net Assets	83,690,458	81,563,818	2.61%

Governmental Activities - Net Assets

Current and other assets decreased 15.02% as bond proceeds on hand at the end of FY 09 were expended for the completion of capital projects in FY 10.

Table A-2
Changes in Net Assets

	Governmental Activities		Percentage Change
	2010	2009	
Revenues			
<u>Program Revenues</u>			
Charges for services	9,480,791	10,069,376	-5.85%
Operating grants & contributions	25,894,652	18,665,190	38.73%
<u>General Revenues</u>			
Property taxes	137,334,289	136,040,083	0.95%
State aid - formula	65,157,310	63,105,521	3.25%
Investment earnings	647,770	2,184,632	-70.35%
Grants & contributions not restricted	858,337	209,268	310.16%
Other	5,535,366	4,699,412	17.79%
Total Revenues	244,908,515	234,973,482	4.23%
Expenses			
Instruction and instructional related	143,310,586	142,123,872	0.83%
Instructional leadership/school administration	15,639,520	14,617,279	6.99%
Guidance, social work, health, transportation	15,791,520	14,733,488	7.18%
Food services	8,744,775	8,470,583	3.24%
Extracurricular activities	7,056,496	7,959,721	-11.35%
General administration	4,534,592	4,230,193	7.20%
Plant maintenance & security	18,278,905	18,102,606	0.97%
Community services	3,268,222	3,693,273	-11.51%
Data processing services	3,714,685	3,745,515	-0.82%
Debt service	21,429,858	23,873,962	-10.24%
Contracted instructional services between public schools	138,669	412,392	-66.37%
Other intergovernmental charges	874,047	873,890	0.02%
Total Expenses	242,781,875	242,836,774	-0.02%
Increase/ (Decrease) in Net Assets	2,126,640	(7,863,292)	127.05%
Beginning Net Assets	81,563,818	89,427,110	-8.79%
Ending Net Assets	83,690,458	81,563,818	2.61%

Governmental Activities-Changes in Net Assets

- Investment earnings decreased as interest rates declined.
- Operating grants and contributions increased due to the award of American Recovery and Reinvestment Act (ARRA) funds.
- Contracted instructional services between public schools decreased as the responsibilities as primary agent for JJAEP was transferred from the district to Collin County.

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

- The cost of all *governmental* activities this period was \$242,781,875.
- The amount paid by MISD taxpayers for these governmental activities through property taxes was \$137,334,289.
- Some of the cost (\$9,480,791) was paid by those who directly benefited from the programs or by grants and contributions of \$25,894,652.

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2010</u>	<u>2009</u>	% Change	<u>2010</u>	<u>2009</u>	% Change
Instruction	\$136,000,284	\$134,721,646	0.95%	\$116,041,340	\$120,757,722	-3.91%
School leadership	12,407,643	11,775,773	5.37%	11,840,041	11,285,640	4.91%
Plant maintenance & operations	17,494,861	17,501,594	-0.04%	16,492,913	16,491,892	0.01%
Debt service-interest & fiscal charges	21,429,858	23,806,533	-9.98%	21,429,858	23,806,533	-9.98%

School leadership increased as a new campus was opened and support personnel were upgraded and contract days increased. Debt service decreased due to a combination of debt refunding in the prior year resulting in lower interest rates and a decrease in total bond indebtedness.

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 \$97,157,623 as compared to a fund balance ending June 30, 2009 of \$118,111,411. The primary reason for the difference was the fiscal year 2010 expenditure of a large portion of the prior year’s Capital Projects 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 Texas Education Agency Financial Accountability System Resource Guide standards. General Fund revenues for the fiscal year ended June 30, 2010 exceeded budget by \$791,282 due primarily to actual state revenues exceeding projections. Total expenditures for the fiscal year were \$5,143,108 under budget. This was attributable primarily to the categories of Instruction where the budget was based on full staffing for the entire year; however, there were miscellaneous vacancies throughout the year. Facilities Maintenance and Operations also under spent a significant portion of their non-payroll budget.

At the end of fiscal year 2009, the ending general fund balance of \$49.5 million represented 28.4% of the 2009-2010 final operating budget. At fiscal year-end 2010, the ending fund balance of \$50.1 million represented 27.3% of the 2010-2011 operating budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2010, the District had invested \$447,088,829 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4.) Construction in Progress decreased with the completion of Lawson Early Childhood Center and Building and Improvements increased as a result. Furniture and Equipment also increased due to the opening of Lawson Early Childhood Center. 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>2010</u>	<u>2009</u>	<u>Total % Change</u>
Land	\$ 26,156,790	\$ 25,493,931	2.60%
Buildings & improvements	500,671,187	485,972,961	3.02%
Furniture & equipment	11,295,790	9,536,918	18.44%
Construction in progress	16,684,561	19,239,316	-13.28%
Totals at historical cost	\$ 554,808,328	\$ 540,243,126	2.70%
Total accumulated depreciation	107,719,499	94,116,992	14.45%
Net capital assets	\$ 447,088,829	\$ 446,126,134	0.22%

At the 2010 year-end, the District had \$458,412,998 in bonds outstanding as compared to \$481,087,122 at 2009 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>2010</u>	<u>2009</u>	<u>Total % Change</u>
Bonds payable	\$ 458,412,998	\$ 481,087,122	-4.71%
Total bonds & notes payable	\$ 458,412,998	\$ 481,087,122	-4.71%

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

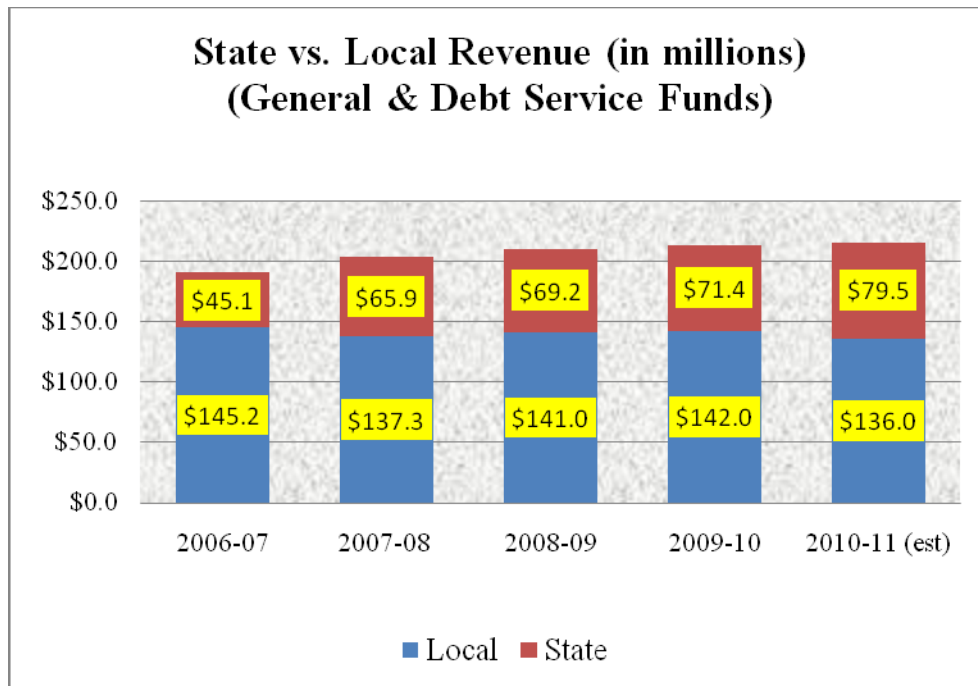
Moody's Investor Services "Aa3"
 Standard & Poor's "AA"

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable appraised value used for the 2011 budget preparation has decreased approximately \$57.0 million, which represents a decrease of less than 1.0% from 2010 values. New construction for 2011 amounts to approximately \$252 million, with a net of \$31 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on fall enrollment) in the 2009-10 fiscal year of \$7,565 to the budgeted 2010-11 spending per pupil of \$7,521 represents a budgeted decrease in spending per pupil of less than 1.0%.
- The District's 2011 fall enrollment is expected to be approximately 24,445 which represents a 2.1% increase over 2010.

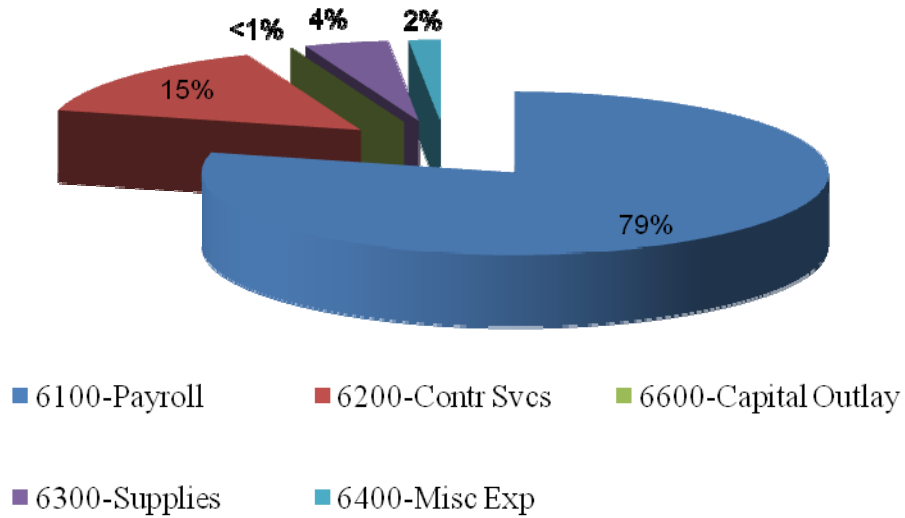
These indicators were taken into account when adopting the general fund budget for 2010-11. Revenues available for appropriation in the general fund budget are \$172,544,740 an increase of 2.5% over the final 2009-10 budget of \$168,320,352. The increase in available revenue is generated primarily by an increase in state aid for enrollment growth.

The District's projected 2010-11 tax rate is \$1.528, a decrease of \$.012 all of which relates to the interest and sinking fund tax rate. As noted above, net taxable appraised value has decreased slightly creating a decrease in expected tax collections in the general fund. The net decrease in estimated local revenue is \$4.1 million. State funding will increase approximately \$14.5 million due to increased state aid and to offset the decline in property tax collections due to decreased property values. The following chart demonstrates the relationship of state and local funding for the past four years along with estimated amounts for 2010-11.



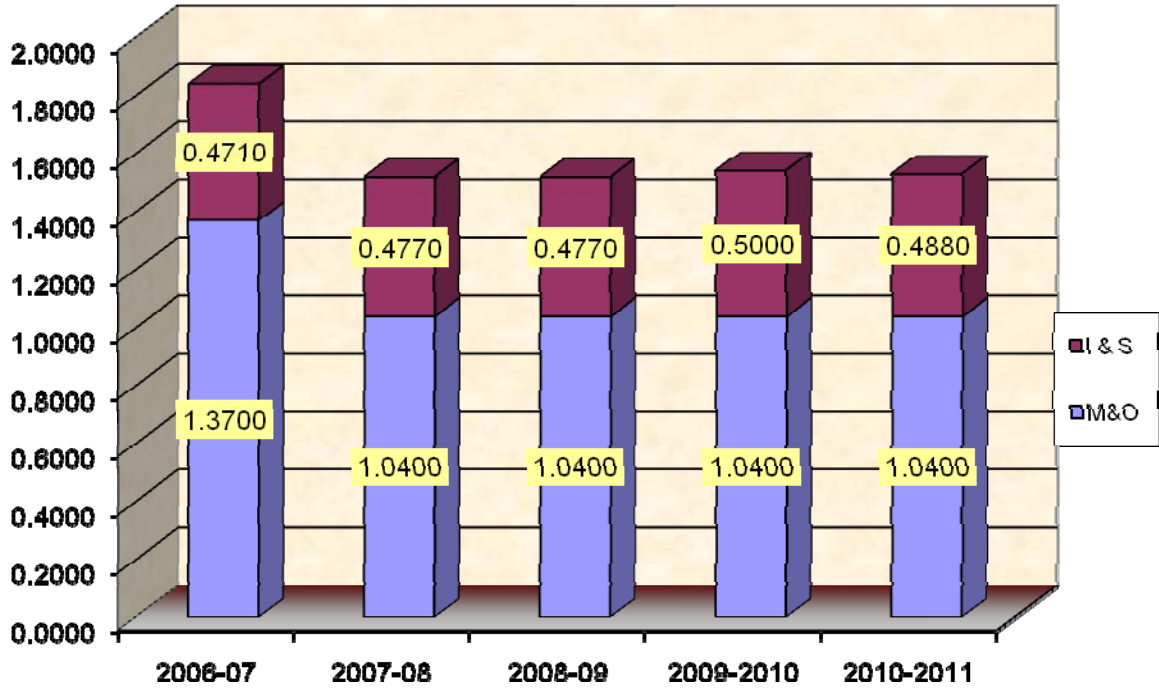
General fund expenditures for 2010-11 are budgeted to increase 1.8% to \$177.5 million. The largest increments are due to increased staffing for student growth, salary increases, and added costs for McClure Elementary School, which opened in August 2010.

2010-2011 Percent of General Fund Budget by Object



The District tax rate will be \$1.528 in 2011, with the debt portion at \$.488 and the M & O portion at \$1.04. The average taxable value of an average residence is expected to decrease slightly from \$200,492 to \$198,670 in 2010.

Historic Tax Rate Comparison



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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’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

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BASIC FINANCIAL STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

Data	Primary Government
Control	
Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 100,273,838
1220 Property Taxes Receivable (Delinquent)	4,762,425
1230 Allowance for Uncollectible Taxes	(142,521)
1240 Due from Other Governments	16,196,001
1250 Accrued Interest	166,295
1290 Other Receivables, net	890,016
1300 Inventories	508,907
1410 Deferred Expenses	541,919
1420 Capitalized Bond and Other Debt Issuance Costs	930,532
Capital Assets:	
1510 Land	26,156,790
1520 Buildings, Net	399,572,773
1530 Furniture and Equipment, Net	4,674,705
1580 Construction in Progress	16,684,561
1000 Total Assets	571,216,241
LIABILITIES	
2110 Accounts Payable	148,084
2140 Interest Payable	7,693,432
2160 Accrued Wages Payable	18,650,649
2180 Due to Other Governments	29,376
2200 Accrued Expenses	1,857,410
2300 Deferred Revenues	733,834
Noncurrent Liabilities	
2501 Due Within One Year	22,680,000
2502 Due in More Than One Year	435,732,998
2000 Total Liabilities	487,525,783
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	26,191,075
3820 Restricted for Federal and State Programs	1,143,280
3850 Restricted for Debt Service	18,583,705
3860 Restricted for Capital Projects	170,180
3900 Unrestricted Net Assets	37,602,218
3000 Total Net Assets	\$ 83,690,458

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, 2010

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	\$ 136,000,284	\$ 402,632	\$ 19,556,312	\$ (116,041,340)
12 Instructional Resources and Media Services	3,963,633	-	122,977	(3,840,656)
13 Curriculum and Staff Development	3,346,669	-	531,065	(2,815,604)
21 Instructional Leadership	3,231,877	-	355,098	(2,876,779)
23 School Leadership	12,407,643	-	567,602	(11,840,041)
31 Guidance, Counseling and Evaluation Services	5,950,626	-	386,602	(5,564,024)
32 Social Work Services	550,000	-	-	(550,000)
33 Health Services	1,994,847	-	88,228	(1,906,619)
34 Student (Pupil) Transportation	7,296,047	-	34,118	(7,261,929)
35 Food Services	8,744,775	4,674,457	3,519,302	(551,016)
36 Extracurricular Activities	7,056,496	595,546	158,936	(6,302,014)
41 General Administration	4,534,592	-	134,531	(4,400,061)
51 Plant Maintenance and Operations	17,494,861	760,754	241,194	(16,492,913)
52 Security and Monitoring Services	784,044	-	13,729	(770,315)
53 Data Processing Services	3,714,685	-	70,709	(3,643,976)
61 Community Services	3,268,222	3,047,402	114,249	(106,571)
72 Debt Service - Interest on Long Term Debt	21,351,820	-	-	(21,351,820)
73 Debt Service - Bond Issuance Cost and Fees	78,038	-	-	(78,038)
95 Payments to Juvenile Justice Alternative Ed. Prg.	138,669	-	-	(138,669)
99 Other Intergovernmental Charges	874,047	-	-	(874,047)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 242,781,875	\$ 9,480,791	\$ 25,894,652	(207,406,432)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		92,756,543
DT	Property Taxes, Levied for Debt Service		44,577,746
SF	State Aid - Formula Grants		65,157,310
GC	Grants and Contributions not Restricted		858,337
IE	Investment Earnings		647,770
MI	Miscellaneous Local and Intermediate Revenue		5,535,366
TR	Total General Revenues		209,533,072
CN	Change in Net Assets		2,126,640
NB	Net Assets--Beginning		81,563,818
NE	Net Assets--Ending		\$ 83,690,458

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 52,438,300	\$ 17,662,374	\$ 27,016,155
1220 Property Taxes - Delinquent	3,347,264	1,415,161	-
1230 Allowance for Uncollectible Taxes (Credit)	(100,066)	(42,455)	-
1240 Receivables from Other Governments	13,838,534	-	-
1250 Accrued Interest	106,986	-	59,309
1290 Other Receivables	836,014	50,407	-
1300 Inventories	508,907	-	-
1410 Deferred Expenditures	468,224	-	-
1000 Total Assets	<u>\$ 71,444,163</u>	<u>\$ 19,085,487</u>	<u>\$ 27,075,464</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ -	\$ -	\$ 148,084
2160 Accrued Wages Payable	16,687,957	-	-
2180 Due to Other Governments	-	-	29,376
2200 Accrued Expenditures	1,131,843	80,966	620,578
2300 Deferred Revenues	3,476,149	1,793,522	-
2000 Total Liabilities	<u>21,295,949</u>	<u>1,874,488</u>	<u>798,038</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	508,907	-	-
3420 Retirement of Long Term Debt	-	17,210,999	-
3430 Prepaid Items	468,224	-	-
3450 Food Service/Federal or State Funds	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	26,277,426
3590 Other Purposes	420,083	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	48,751,000	-	-
3610 Reported in Special Revenue Funds	-	-	-
3000 Total Fund Balances	<u>50,148,214</u>	<u>17,210,999</u>	<u>26,277,426</u>
4000 Total Liabilities and Fund Balances	<u>\$ 71,444,163</u>	<u>\$ 19,085,487</u>	<u>\$ 27,075,464</u>

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

Other Funds	Total Governmental Funds
\$ 3,157,009	\$ 100,273,838
-	4,762,425
-	(142,521)
2,357,467	16,196,001
-	166,295
3,595	890,016
-	508,907
73,695	541,919
<u>\$ 5,591,766</u>	<u>\$ 123,196,880</u>
\$ -	\$ 148,084
1,962,692	18,650,649
-	29,376
24,023	1,857,410
84,067	5,353,738
<u>2,070,782</u>	<u>26,039,257</u>
-	508,907
-	17,210,999
42,599	510,823
1,143,280	1,143,280
-	26,277,426
-	420,083
-	48,751,000
2,335,105	2,335,105
<u>3,520,984</u>	<u>97,157,623</u>
<u>\$ 5,591,766</u>	<u>\$ 123,196,880</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$	97,157,623
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 \$540,243,126 and the accumulated depreciation was \$94,116,992. In addition, long-term liabilities, including bonds payable of \$470,135,000 are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		(24,008,866)
2 Current year capital outlays of \$14,615,015 and long-term debt principal payments of \$22,195,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.		36,810,015
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.		(7,693,432)
4 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(13,652,320)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing 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.		(4,922,562)
19 Net Assets of Governmental Activities	\$	83,690,458

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, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 96,838,663	\$ 45,137,334	\$ 205,789
5800 State Program Revenues	71,414,634	-	-
5900 Federal Program Revenues	858,337	-	-
5020 Total Revenues	<u>169,111,634</u>	<u>45,137,334</u>	<u>205,789</u>
EXPENDITURES:			
Current:			
0011 Instruction	101,696,672	-	6,660,336
0012 Instructional Resources and Media Services	3,231,779	-	-
0013 Curriculum and Instructional Staff Development	2,870,046	-	-
0021 Instructional Leadership	2,986,907	-	-
0023 School Leadership	11,275,073	-	-
0031 Guidance, Counseling and Evaluation Services	5,806,153	-	-
0032 Social Work Services	550,000	-	-
0033 Health Services	1,985,386	-	-
0034 Student (Pupil) Transportation	7,232,121	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	5,528,895	-	-
0041 General Administration	4,395,250	-	-
0051 Facilities Maintenance and Operations	17,036,960	-	-
0052 Security and Monitoring Services	573,833	-	-
0053 Data Processing Services	2,905,897	-	-
0061 Community Services	183,370	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	22,195,000	-
0072 Debt Service - Interest on Long Term Debt	-	21,506,418	-
0073 Debt Service - Bond Issuance Cost and Fees	-	164,987	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	12,015	-	15,955,793
Intergovernmental:			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	138,669	-	-
0099 Other Intergovernmental Charges	874,047	-	-
6030 Total Expenditures	<u>169,283,073</u>	<u>43,866,405</u>	<u>22,616,129</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(171,439)</u>	<u>1,270,929</u>	<u>(22,410,340)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	30,948,001	-
7915 Transfers In	838,944	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,935,995	-
8911 Transfers Out (Use)	-	-	-
8949 Other (Uses)	-	(34,062,440)	-
7080 Total Other Financing Sources (Uses)	<u>838,944</u>	<u>(178,444)</u>	<u>-</u>
1200 Net Change in Fund Balances	667,505	1,092,485	(22,410,340)
0100 Fund Balance - July 1 (Beginning)	<u>49,480,709</u>	<u>16,118,514</u>	<u>48,687,766</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 50,148,214</u>	<u>\$ 17,210,999</u>	<u>\$ 26,277,426</u>

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

Other Funds	Total Governmental Funds
\$ 11,313,688	\$ 153,495,474
1,023,522	72,438,156
18,613,806	19,472,143
<u>30,951,016</u>	<u>245,405,773</u>
16,749,054	125,106,062
265,461	3,497,240
476,594	3,346,640
244,970	3,231,877
868,726	12,143,799
138,813	5,944,966
-	550,000
-	1,985,386
31,804	7,263,925
8,027,565	8,027,565
202,353	5,731,248
6,372	4,401,622
230,607	17,267,567
85,539	659,372
2,800	2,908,697
3,084,852	3,268,222
-	22,195,000
-	21,506,418
-	164,987
-	15,967,808
-	138,669
-	874,047
<u>30,415,510</u>	<u>266,181,117</u>
<u>535,506</u>	<u>(20,775,344)</u>
-	30,948,001
-	838,944
-	2,935,995
(838,944)	(838,944)
-	(34,062,440)
<u>(838,944)</u>	<u>(178,444)</u>
<u>(303,438)</u>	<u>(20,953,788)</u>
<u>3,824,422</u>	<u>118,111,411</u>
<u>\$ 3,520,984</u>	<u>\$ 97,157,623</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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(20,953,788)
Current year capital outlays of \$14,615,015 and long-term debt principal payments of \$22,195,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.		36,810,015
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.		(146,082)
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.		(13,652,320)
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 increase net assets.		68,815
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>2,126,640</u>

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 15,184	\$ 352,099
Total Assets	15,184	\$ 352,099
LIABILITIES		
Due to Student Groups	-	\$ 352,099
Total Liabilities	-	\$ 352,099
NET ASSETS		
Restricted for Scholarships	15,184	
Total Net Assets	\$ 15,184	

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, 2010

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 69
Total Additions	<u>69</u>
Change in Net Assets	69
Total Net Assets - July 1 (Beginning)	<u>15,115</u>
Total Net Assets - June 30 (Ending)	<u><u>\$ 15,184</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, 2010

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, 2010

-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, 2010

-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, 2010

-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Due From (To) Other Funds

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

3. Inventories and Prepaid Items

In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

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

4. Capital Assets

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

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

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, 2010

-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, 2010, Reserved Fund Balance includes \$508,907 for inventories and \$468,224 for prepaid items in the General Fund and \$42,599 for prepaid items in the Special Revenue Fund. Debt Service Fund reserves total \$17,210,999 for retirement of funded indebtedness as of June 30, 2010. A total of \$26,277,426 has been designated for authorized construction programs in the Capital Projects Fund. The Special Revenue Fund reserves total \$1,143,280 for Food Service. Unreserved Designated Fund Balance includes \$420,083 for High School Allotment in the General Fund.

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-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 \$(4,922,562) adjustment are as follows:

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	\$ 2,260,787
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>2,359,117</u>
	<u>4,619,904</u>

Long-term debt:

Issuance of refunding bonds payable	935,000
Premium and issuance costs on bonds	(11,822,426)
Deferred gain on refunding bonds	<u>1,344,960</u>
	<u>(9,542,466)</u>

Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(4,922,562)</u>
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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-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 \$68,815 adjustment are as follows:

Taxes:

To move the current year uncollected tax levy to revenue	\$ 2,260,787
To remove the prior year tax collection from current year revenue	<u>(2,758,045)</u>
	<u>(497,258)</u>

Long-term debt:

Issuance of refunding bonds payable	935,000
Current year amortization	235,235
Current year premium and issuance costs on bonds	(2,621,602)
Current year deferred gain on refunding bonds	<u>2,017,440</u>
	<u>566,073</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes to net assets of governmental activities	\$ <u>68,815</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.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

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

June 30, 2010 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund	\$ 1,143,280
Nonappropriated budget funds	<u>2,377,704</u>
All Special Revenue Funds	<u>\$ 3,520,984</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.

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

At June 30, 2010, the carrying amount of the District's cash, savings, and time deposits was \$(1,643,715). The bank balance was \$974,853. The District's combined deposits at June 30, 2010 and during the year ended June 30, 2010 were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

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

- a. Name of bank American National Bank of Texas.
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$ 1,611,897.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 1,042,535 and occurred during the month of April.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$ 250,000.

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- a. Custodial Credit Risk - Deposits: (continued)
or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The District is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with American National Bank of Texas, Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration 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, 2010, were as follows:

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

<u>Investment type:</u>	<u>Fair Value</u>
TexStar investment pool	\$ 52,983,876
State Treasurer's investment pool	34,300,361
Certificate of Deposit	<u>15,000,000</u>
Total	\$ <u>102,284,237</u>

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, 2009, upon which the levy for the 2009-10 fiscal period was based, was \$8,858,146,057. The roll was subsequently increased to a period end assessed value of \$9,028,810,002. 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, 2010, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for the total of \$1.54 per \$100 valuation.

Total tax collections for the year ended June 30, 2010, 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, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,247,198 and \$1,372,706 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, 2010, 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.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

C. Due From Other Governments (continued)

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 162,986	13,675,548		13,838,534
Special revenue		<u>63,174</u>	<u>2,294,293</u>	<u>2,357,467</u>
Total	<u>\$ 162,986</u>	<u>13,738,722</u>	<u>2,294,293</u>	<u>16,196,001</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Government activities:				
Land	\$ 25,493,931	662,859		26,156,790
Buildings and improvements	485,972,961	14,730,452	(32,226)	500,671,187
Furniture and equipment	9,536,918	1,776,459	(17,587)	11,295,790
Construction in progress	<u>19,239,316</u>	<u>12,008,421</u>	<u>(14,563,176)</u>	<u>16,684,561</u>
Totals at historical cost	<u>540,243,126</u>	<u>29,178,191</u>	<u>(14,612,989)</u>	<u>554,808,328</u>
Less accumulated depreciation for:				
Buildings and improvements	(88,590,576)	(12,540,064)	32,226	(101,098,414)
Furniture and equipment	<u>(5,526,416)</u>	<u>(1,112,256)</u>	<u>17,587</u>	<u>(6,621,085)</u>
Total accumulated depreciation	<u>(94,116,992)</u>	<u>(13,652,320)</u>	<u>49,813</u>	<u>(107,719,499)</u>
Governmental activities capital assets, net	<u>\$ 446,126,134</u>	<u>15,525,871</u>	<u>(14,563,176)</u>	<u>447,088,829</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 10,059,517
Instructional resources and media	286,830
School leadership	166,851
Student transportation	32,122
Food services	844,160
Extracurricular activities	1,246,049
General administration	59,270
Plant maintenance and operations	168,439
Security and monitoring services	120,533
Data processing services	<u>668,549</u>
Total depreciation expense	<u>\$ 13,652,320</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2010
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

At June 30, 2010, 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 06/30/09</u>	<u>Amount Retained</u>
McClure ES ES #22	08/10	\$ 15,015,107	14,221,215 2,463,346	620,578

F. Bonds Payable

Bonds payable activity for the year ended June 30, 2010, 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:							
2000 School Bldg.	5.52%	\$ 65,000,000	9,505,000		(9,505,000)		
2001 School Bldg.	5.01	65,000,000	19,975,000		(16,895,000)	3,080,000	3,080,000
2002 School Bldg.	4.54	50,000,000	37,960,000		(13,670,000)	24,290,000	2,235,000
2003 Refunding	4.23	46,075,000	30,930,000		(2,285,000)	28,645,000	2,340,000
2004 Sch. Bldg. & Ref.	4.97	42,885,000	36,555,000		(1,455,000)	35,100,000	1,495,000
2004 Refunding	4.57	10,395,000	8,585,000		(905,000)	7,680,000	945,000
2005 Refunding	5.17	77,905,000	77,905,000			77,905,000	2,780,000
2005 School Bldg.	4.41	30,630,000	25,690,000		(760,000)	24,930,000	795,000
2006 School Bldg.	4.50	67,450,000	64,105,000		(1,775,000)	62,330,000	1,845,000
2007 School Bldg.	4.65	52,695,000	50,605,000		(1,235,000)	49,370,000	1,295,000
2008 School Bldg.	4.65	50,580,000	49,515,000		(1,110,000)	48,405,000	1,165,000
2009 Sch. Bldg. & Ref.	4.60	58,805,000	58,805,000		(4,645,000)	54,160,000	2,305,000
2010 Refunding	3.46%	31,110,000		<u>31,110,000</u>		<u>31,110,000</u>	<u>2,400,000</u>
Total bonded indebtedness			470,135,000	31,110,000	(54,240,000)	447,005,000	22,680,000
Deferred (gain)/loss on Refunding Bonds				(2,017,440)	672,480	(1,344,960)	
Bond Premium			<u>10,952,122</u>	<u>2,773,996</u>	<u>(973,160)</u>	<u>12,752,958</u>	
Total bonds payable			<u>\$ 481,087,122</u>	<u>31,866,556</u>	<u>(54,540,680)</u>	<u>458,412,998</u>	<u>22,680,000</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Bonds Payable (continued)

General obligation bonds consist of 2000-2002, and 2004-2008 School Building Bonds bearing interest at 3.75 - 6.00% per annum and 2003-2005, and 2009-2010 Refunding Bonds bearing interest at 2.00 - 5.38% per annum. Interest expense for the year on all bonded indebtedness was \$21,506,418.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2011	\$ 22,680,000	20,826,777	43,506,777
2012	23,335,000	20,070,489	43,405,489
2013	23,590,000	19,199,301	42,789,301
2014	24,690,000	18,167,374	42,857,374
2015	25,035,000	17,041,741	42,076,741
2016-2020	130,215,000	66,282,976	196,497,976
2021-2025	97,275,000	36,588,184	133,863,184
2026-2030	72,675,000	17,376,169	90,051,169
2031-2034	<u>27,510,000</u>	<u>2,492,787</u>	<u>30,002,787</u>
Total	\$ <u>447,005,000</u>	<u>218,045,798</u>	<u>665,050,798</u>

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, 2010.

G. Defeasance of Debt

On April 8, 2010, the District issued general obligation bonds (refunding bonds) of \$31,110,000 (par value) with an effective interest rate of 3.46 percent to advance refund a portion of the Unlimited Tax School Building Bonds, Series 2000, 2001, and 2002 (refunded bonds), with an effective interest rate of 4.86 percent and par value of \$32,045,000. The refunding bonds were issued at par and, after paying issuance costs of \$152,394 and underwriter's discount of \$161,999, and receiving a premium of \$2,935,995, the net proceeds were \$33,731,602. The net proceeds and \$330,838 from the Debt Service Fund was used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded portion is paid. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's Long-Term Debt Payable.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Defeasance of Debt (continued)

As a result of the advance refunding, the District increased its total debt service requirements by \$4,823,666, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$216,740. The District issued the refunding bonds in order to restructure the District's debt service payments.

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, 2010, \$52,475,000 of the bonds outstanding (including those defeased in 2010) 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 2010, 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, 2010, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	Private Purpose <u>Fund</u>	<u>Total</u>
Property taxes	\$ 93,132,258		44,701,063			137,833,321
Food sales		4,674,457				4,674,457
Investment income	393,646		48,335	205,789	69	647,839
Penalties, interest and other tax related income	899,646		371,318			1,270,964
Co-curricular student activities	595,546	3,526,717				4,122,263
Tuition and fees	402,632	3,047,402				3,450,034
Other	<u>1,414,935</u>	<u>65,112</u>	<u>16,618</u>	—	—	<u>1,496,665</u>
 Total	 <u>\$ 96,838,663</u>	 <u>11,313,688</u>	 <u>45,137,334</u>	 <u>205,789</u>	 <u>69</u>	 <u>153,495,543</u>

D. Deferred Revenue

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Net tax revenue	\$ 3,247,198		1,372,706	4,619,904
State revenue			420,816	420,816
LEP		9,238		9,238
Deferred tuition	65,965			65,965
Detachment revenue	162,986			162,986
Advanced placement initiatives	—	<u>74,829</u>	—	<u>74,829</u>
 Total	 <u>\$ 3,476,149</u>	 <u>84,067</u>	 <u>1,793,522</u>	 <u>5,353,738</u>

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 5 OTHER INFORMATION (continued)

E. Health Care Coverage

For the year ended June 30, 2010, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$260, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2009, are filed with the Texas State Board of Insurance, Austin, Texas and are public records.

F. Pension Plan Obligations

1. Teacher Retirement System of Texas

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2008, 2009 and 2010 and a state contribution rate of 6.0% for calendar year 2008, 6.58% for calendar year 2009, and 6.644% for calendar year 2010. In certain instances the reporting district is required to make all or a portion

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2010

-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2008, 2009 and 2010 were \$5,113,012, \$5,816,642, and \$5,988,052, respectively. The District paid additional state contributions for the years ended June 30, 2008, 2009 and 2010 in the amount of \$1,640,148, \$1,855,111, and \$1,951,261, 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, 2010 were \$160,069. Plan members are 100% vested in their account after attaining five credited years of participation in the plan. Upon meeting the requirements of "qualification for unreduced retirement" in accordance with the Teacher Retirement System of Texas, obtaining normal retirement age, or upon death or permanent disability, a plan member shall be 100% vested regardless of years of service.

G. 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, 2010

-continued-

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2009, and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2008, 2009, and 2010, the State's contributions to TRS-Care were \$1,078,379, \$1,205,268, and \$1,234,285, respectively, the active member contributions were \$700,953, \$783,431, and \$802,371, respectively, and the school district's contributions were \$593,094, \$662,895, and \$678,939, respectively, which equaled the required contributions each year. In addition to the pension plan and TRS-Care on behalf, the District is allocated a portion of the Medicare Part D retiree drug subsidy the TRS-Care receives. The amount allocated on behalf for the year ended June 30, 2010 is estimated by TRS at \$269,273.

H. Workers' Compensation Insurance

During the year ended June 30, 2010, 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, 2009, the Fund carries a discounted reserve of \$72,996,132 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2009, 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, 2009, 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, 2010

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	\$ 95,395,423	\$ 96,600,586	\$ 96,838,663	\$ 238,077
5800 State Program Revenues	79,094,544	70,839,766	71,414,634	574,868
5900 Federal Program Revenues	320,000	880,000	858,337	(21,663)
5020 Total Revenues	174,809,967	168,320,352	169,111,634	791,282
EXPENDITURES:				
Current:				
0011 Instruction	109,145,294	103,878,818	101,696,672	2,182,146
0012 Instructional Resources and Media Services	3,314,630	3,298,972	3,231,779	67,193
0013 Curriculum and Instructional Staff Development	3,144,525	3,250,285	2,870,046	380,239
0021 Instructional Leadership	2,872,629	2,990,815	2,986,907	3,908
0023 School Leadership	11,369,088	11,471,073	11,275,073	196,000
0031 Guidance, Counseling and Evaluation Services	5,747,233	5,962,996	5,806,153	156,843
0032 Social Work Services	391,750	550,000	550,000	-
0033 Health Services	2,043,745	2,047,856	1,985,386	62,470
0034 Student (Pupil) Transportation	7,287,778	7,306,224	7,232,121	74,103
0036 Extracurricular Activities	5,756,597	5,735,816	5,528,895	206,921
0041 General Administration	4,369,099	4,587,796	4,395,250	192,546
0051 Facilities Maintenance and Operations	18,461,167	18,433,286	17,036,960	1,396,326
0052 Security and Monitoring Services	670,759	696,012	573,833	122,179
0053 Data Processing Services	2,909,096	2,916,715	2,905,897	10,818
0061 Community Services	209,997	227,008	183,370	43,638
Capital Outlay:				
0081 Facilities Acquisition and Construction	10,000	12,100	12,015	85
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	450,000	185,000	138,669	46,331
0099 Other Intergovernmental Charges	947,000	875,409	874,047	1,362
6030 Total Expenditures	179,100,387	174,426,181	169,283,073	5,143,108
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,290,420)	(6,105,829)	(171,439)	5,934,390
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	250,000	-	838,944	838,944
7080 Total Other Financing Sources (Uses)	250,000	-	838,944	838,944
1200 Net Change in Fund Balances	(4,040,420)	(6,105,829)	667,505	6,773,334
0100 Fund Balance - July 1 (Beginning)	49,480,709	49,480,709	49,480,709	-
3000 Fund Balance - June 30 (Ending)	\$ 45,440,289	\$ 43,374,880	\$ 50,148,214	\$ 6,773,334

COMBINING STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (23,202)	\$ (82,853)	\$ (40,568)	\$ (143,224)
1240	Receivables from Other Governments	23,202	82,753	40,776	399,087
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	100	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 255,863</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ 208	\$ 255,863
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>208</u>	<u>255,863</u>
Fund Balances:					
Reserved For:					
3430	Prepaid Items	-	-	-	-
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208</u>	<u>\$ 255,863</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 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology
\$ (1,796)	\$ (254,103)	\$ (2,279)	\$ -	\$ 1,046,374	\$ (29,774)	\$ (37,049)	\$ (410)
1,796	657,819	9,224	-	95,703	28,744	94,791	410
-	-	-	-	3,444	-	-	-
-	1,650	-	-	-	1,030	-	-
<u>\$ -</u>	<u>\$ 405,366</u>	<u>\$ 6,945</u>	<u>\$ -</u>	<u>\$ 1,145,521</u>	<u>\$ -</u>	<u>\$ 57,742</u>	<u>\$ -</u>
\$ -	\$ 395,418	\$ 6,945	\$ -	\$ -	\$ -	\$ 56,512	\$ -
-	9,948	-	-	2,241	-	1,230	-
-	-	-	-	-	-	-	-
-	405,366	6,945	-	2,241	-	57,742	-
-	-	-	-	-	-	-	-
-	-	-	-	1,143,280	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,143,280	-	-	-
<u>\$ -</u>	<u>\$ 405,366</u>	<u>\$ 6,945</u>	<u>\$ -</u>	<u>\$ 1,145,521</u>	<u>\$ -</u>	<u>\$ 57,742</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	280 ESEA, X, C ARRA Homeless	283 IDEA, Pt. B ARRA Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ (85,634)	\$ 636,918	\$ (7,738)	\$ (137,594)
1240	Receivables from Other Governments	96,689	501,096	8,516	198,878
1290	Other Receivables	-	-	-	151
1410	Deferred Expenditures	-	-	-	6,073
1000	Total Assets	<u>\$ 11,055</u>	<u>\$ 1,138,014</u>	<u>\$ 778</u>	<u>\$ 67,508</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ 11,055	\$ 1,138,014	\$ 778	\$ 67,413
2200	Accrued Expenditures	-	-	-	95
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>11,055</u>	<u>1,138,014</u>	<u>778</u>	<u>67,508</u>
Fund Balances:					
Reserved For:					
3430	Prepaid Items	-	-	-	-
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 11,055</u>	<u>\$ 1,138,014</u>	<u>\$ 778</u>	<u>\$ 67,508</u>

284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	394 Life Skills Program	397 Advanced Placement Incentives	399 Investment Capital Funds
\$ -	\$ (38,140)	\$ 9,238	\$ -	\$ (19,571)	\$ (2,870)	\$ 55,688	\$ -
-	54,809	-	-	23,616	2,870	-	-
-	-	-	-	-	-	-	-
-	3,102	-	-	-	-	19,141	-
<u>\$ -</u>	<u>\$ 19,771</u>	<u>\$ 9,238</u>	<u>\$ -</u>	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 74,829</u>	<u>\$ -</u>
\$ -	\$ 19,691	\$ -	\$ -	\$ 4,045	\$ -	\$ -	\$ -
-	80	-	-	-	-	-	-
-	-	9,238	-	-	-	74,829	-
<u>-</u>	<u>19,771</u>	<u>9,238</u>	<u>-</u>	<u>4,045</u>	<u>-</u>	<u>74,829</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 19,771</u>	<u>\$ 9,238</u>	<u>\$ -</u>	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 74,829</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (34,406)	\$ 570,585	\$ -	\$ -
1240	Receivables from Other Governments	34,406	2,282	-	-
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 572,867</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ -
2200	Accrued Expenditures	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3430	Prepaid Items	-	-	-	-
3450	Food Service/Federal or State Funds Restriction	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	572,867	-	-
3000	Total Fund Balances	<u>-</u>	<u>572,867</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 572,867</u>	<u>\$ -</u>	<u>\$ -</u>

461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds
\$ 1,734,508	\$ 44,909	\$ 3,157,009
-	-	2,357,467
-	-	3,595
19,253	23,346	73,695
<u>\$ 1,753,761</u>	<u>\$ 68,255</u>	<u>\$ 5,591,766</u>
\$ 6,750	\$ -	\$ 1,962,692
9,896	533	24,023
-	-	84,067
<u>16,646</u>	<u>533</u>	<u>2,070,782</u>
19,253	23,346	42,599
-	-	1,143,280
1,717,862	44,376	2,335,105
<u>1,737,115</u>	<u>67,722</u>	<u>3,520,984</u>
<u>\$ 1,753,761</u>	<u>\$ 68,255</u>	<u>\$ 5,591,766</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	40,522	271,896	87,443
5020	Total Revenues	<u>40,522</u>	<u>271,896</u>	<u>87,443</u>
EXPENDITURES:				
Current:				
0011	Instruction	944	271,182	64,200
0012	Instructional Resources and Media Services	-	-	1,643,815
0013	Curriculum and Instructional Staff Development	36,158	-	-
0021	Instructional Leadership	2,350	-	3,689
0023	School Leadership	-	-	19,132
0031	Guidance, Counseling and Evaluation Services	913	-	-
0034	Student (Pupil) Transportation	-	-	52,128
0035	Food Services	-	-	139
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	157	714	4,111
6030	Total Expenditures	<u>40,522</u>	<u>271,896</u>	<u>87,443</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<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>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology
\$ -	\$ -	\$ -	\$ -	\$ 4,674,457	\$ -	\$ -	\$ -
-	-	-	-	41,882	-	-	-
4,386	2,849,658	47,641	46,273	3,564,058	155,778	460,988	14,920
4,386	2,849,658	47,641	46,273	8,280,397	155,778	460,988	14,920
351	2,652,319	47,641	46,273	-	144,087	435,442	-
-	-	-	-	-	-	-	-
-	78,472	-	-	-	6,996	25,546	14,920
4,035	8,804	-	-	-	978	-	-
-	-	-	-	-	-	-	-
-	73,361	-	-	-	-	-	-
-	12,129	-	-	-	-	-	-
-	-	-	-	8,027,565	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	200,000	-	-	-
-	-	-	-	-	3,717	-	-
-	-	-	-	-	-	-	-
-	24,573	-	-	-	-	-	-
4,386	2,849,658	47,641	46,273	8,227,565	155,778	460,988	14,920
-	-	-	-	52,832	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	52,832	-	-	-
-	-	-	-	1,090,448	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ 1,143,280	\$ -	\$ -	\$ -

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	280 ESEA, X, C ARRA Homeless	283 IDEA, Pt. B ARRA Formula	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	276,294	6,620,812	54,357	1,903,559
5020	Total Revenues	<u>276,294</u>	<u>6,620,812</u>	<u>54,357</u>	<u>1,903,559</u>
EXPENDITURES:					
Current:					
0011	Instruction	160,211	6,620,812	31,425	1,738,338
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	11,976	-	3,489	107,761
0021	Instructional Leadership	64,605	-	5,239	10,019
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	12,411
0034	Student (Pupil) Transportation	6,146	-	13,201	-
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	33,356	-	1,003	35,030
6030	Total Expenditures	<u>276,294</u>	<u>6,620,812</u>	<u>54,357</u>	<u>1,903,559</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>

284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	394 Life Skills Program	397 Advanced Placement Incentives	399 Investment Capital Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	4,256	51,732	30,044	24,052	53,192
<u>59,633</u>	<u>363,092</u>	<u>7,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>59,633</u>	<u>363,092</u>	<u>7,721</u>	<u>4,256</u>	<u>51,732</u>	<u>30,044</u>	<u>24,052</u>	<u>53,192</u>
59,633	212,305	7,721	4,256	51,732	30,044	11,787	16,208
-	-	-	-	-	-	-	-
-	19,240	-	-	-	-	12,265	35,773
-	53,724	-	-	-	-	-	-
-	76,569	-	-	-	-	-	460
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,254	-	-	-	-	-	751
<u>59,633</u>	<u>363,092</u>	<u>7,721</u>	<u>4,256</u>	<u>51,732</u>	<u>30,044</u>	<u>24,052</u>	<u>53,192</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2010

Data Control Codes	404 Student Success Initiative	411 Technology Allotment	428 High School Allotment	429 Other State Special Revenue Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	151,482	666,549	333
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	<u>151,482</u>	<u>666,549</u>	<u>333</u>
EXPENDITURES:				
Current:				
0011	Instruction	88,082	540,609	-
0012	Instructional Resources and Media Services	-	-	333
0013	Curriculum and Instructional Staff Development	63,400	-	-
0021	Instructional Leadership	-	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
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>151,482</u>	<u>540,609</u>	<u>333</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>125,940</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	(838,944)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(838,944)</u>
1200	Net Change in Fund Balance	-	125,940	(838,944)
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>446,927</u>	<u>838,944</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 572,867</u>	<u>\$ -</u>

461 Campus Activity Funds	480 After School Program	Total Nonmajor Governmental Funds
\$ 3,591,829	\$ 3,047,402	\$ 11,313,688
-	-	1,023,522
-	-	18,613,806
<u>3,591,829</u>	<u>3,047,402</u>	<u>30,951,016</u>
1,869,637	-	16,749,054
265,128	-	265,461
7,128	49,781	476,594
-	-	244,970
791,697	-	868,726
-	-	138,813
189	-	31,804
-	-	8,027,565
202,353	-	202,353
6,372	-	6,372
27,969	2,638	230,607
81,822	-	85,539
2,800	-	2,800
133,592	2,841,391	3,084,852
<u>3,388,687</u>	<u>2,893,810</u>	<u>30,415,510</u>
<u>203,142</u>	<u>153,592</u>	<u>535,506</u>
-	-	(838,944)
-	-	(838,944)
203,142	153,592	(303,438)
<u>1,533,973</u>	<u>(85,870)</u>	<u>3,824,422</u>
<u>\$ 1,737,115</u>	<u>\$ 67,722</u>	<u>\$ 3,520,984</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2010

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Trust Fund	Total Private Purpose Trust Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 15,117	\$ 67	\$ 15,184
Total Assets	<u>15,117</u>	<u>67</u>	<u>15,184</u>
NET ASSETS			
Restricted for Scholarships	<u>15,117</u>	<u>67</u>	<u>15,184</u>
Total Net Assets	<u><u>\$ 15,117</u></u>	<u><u>\$ 67</u></u>	<u><u>\$ 15,184</u></u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

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	\$ 33	\$ 36	\$ 69
Total Additions	<u>33</u>	<u>36</u>	<u>69</u>
Change in Net Assets	33	36	69
Total Net Assets - July 1 (Beginning)	<u>15,084</u>	<u>31</u>	<u>15,115</u>
Total Net Assets - June 30 (Ending)	<u>\$ 15,117</u>	<u>\$ 67</u>	<u>\$ 15,184</u>

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REQUIRED T.E.A. SCHEDULES

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2010

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ Various
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	1.040000	0.477000	8,417,974,951
2009	1.040000	0.477000	8,935,038,695
2010 (School year under audit)	1.040000	0.500000	8,942,913,766
1000 TOTALS			

(10) Beginning Balance 7/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2010
\$ 216,119	\$ -	\$ 10,771	\$ 2,842	\$ (21,855)	\$ 180,651
88,007	-	4,712	1,274	-	82,021
132,725	-	7,258	2,378	(213)	122,876
138,142	-	6,390	2,045	20,295	150,002
261,553	-	18,561	6,187	44,717	281,522
354,277	-	46,195	15,399	41,721	334,404
429,748	-	125,626	43,190	69,276	330,208
460,619	-	142,366	65,297	96,168	349,124
3,194,235	-	1,710,881	784,702	(97,744)	600,908
-	137,720,872	91,057,724	43,777,749	(554,690)	2,330,709
<u>\$ 5,275,425</u>	<u>\$ 137,720,872</u>	<u>\$ 93,130,484</u>	<u>\$ 44,701,063</u>	<u>\$ (402,325)</u>	<u>\$ 4,762,425</u>

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

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 479,345	\$ 2,789,343	\$ 80,635	\$ -	\$ 3,349,323
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	311,988	-	-	-	-	-	311,988
6212	Audit Services	-	-	-	40,000	-	-	40,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	908,469	-	-	-	-	908,469
621X	Other Professional Services	25,276	-	-	246,994	-	-	272,270
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	59,619	-	-	59,619
6240	Contr. Maint. and Repair	-	-	-	-	145,266	-	145,266
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	21,863	-	-	21,863
6290	Miscellaneous Contr.	-	-	64,518	48,982	182	-	113,682
6320	Textbooks and Reading	-	-	881	6,543	-	-	7,424
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	16,131	144,592	145	-	160,868
6410	Travel, Subsistence, Stipends	39,115	-	8,830	38,981	2,200	-	89,126
6420	Ins. and Bonding Costs	-	-	-	87,585	-	-	87,585
6430	Election Costs	12,888	-	-	-	-	-	12,888
6490	Miscellaneous Operating	16,741	-	22,706	81,214	510	-	121,171
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 406,008	\$ 908,469	\$ 592,411	\$ 3,565,716	\$ 228,938	\$ -	\$ 5,701,542

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 199,698,583

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 767,265
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	17,031,797
Food (Function 35, 6341 and 6499)	(13)	170
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		3,565,716

SubTotal: 21,364,948

Net Allowed Direct Cost \$ 178,333,635

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 500,671,187
Historical Cost of Building over 50 years old	(16)	\$ 1,625,715
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 11,295,790
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$425,873 in Function 53 expenditures are included in this report on administrative costs.
 \$874,047 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, 2010

UNAUDITED

1	Total General Fund Balance as of 6/30/10 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 50,148,214
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 977,131	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	420,083	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	27,206,572	
5	Estimate of two month's average cash disbursements during the fiscal year.	30,463,236	
6	Estimate of delayed payments from state sources (58xx).	-	
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.	13,675,548	
8	Estimate of delayed payments from federal sources (59xx)	1,525,945	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9 +		<u>74,268,515</u>
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (24,120,301)</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,326,112	\$ 5,326,112	\$ 4,674,457	\$ (651,655)
5800 State Program Revenues	39,001	39,001	41,882	2,881
5900 Federal Program Revenues	3,066,106	3,085,166	3,564,058	478,892
5020 Total Revenues	8,431,219	8,450,279	8,280,397	(169,882)
EXPENDITURES:				
0035 Food Services	8,115,789	8,362,890	8,027,565	335,325
0051 Facilities Maintenance and Operations	200,000	200,000	200,000	-
6030 Total Expenditures	8,315,789	8,562,890	8,227,565	335,325
1200 Net Change in Fund Balances	115,430	(112,611)	52,832	165,443
0100 Fund Balance - July 1 (Beginning)	1,090,448	1,090,448	1,090,448	-
3000 Fund Balance - June 30 (Ending)	\$ 1,205,878	\$ 977,837	\$ 1,143,280	\$ 165,443

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 44,328,378	\$ 45,117,115	\$ 45,137,334	\$ 20,219
5020 Total Revenues	44,328,378	45,117,115	45,137,334	20,219
EXPENDITURES:				
Debt Service:				
0071 Debt Service - Principal on Long Term Debt	22,195,000	22,195,000	22,195,000	-
0072 Debt Service - Interest on Long Term Debt	21,506,420	21,506,420	21,506,418	2
0073 Debt Service - Bond Issuance Cost and Fees	50,000	167,000	164,987	2,013
6030 Total Expenditures	43,751,420	43,868,420	43,866,405	2,015
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	576,958	1,248,695	1,270,929	22,234
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	30,948,001	30,948,001	-
7916 Premium or Discount on Issuance of Bonds	-	2,935,994	2,935,995	1
8949 Other (Uses)	-	(34,062,441)	(34,062,440)	1
7080 Total Other Financing Sources (Uses)	-	(178,446)	(178,444)	2
1200 Net Change in Fund Balances	576,958	1,070,249	1,092,485	22,236
0100 Fund Balance - July 1 (Beginning)	16,118,514	16,118,514	16,118,514	-
3000 Fund Balance - June 30 (Ending)	\$ 16,695,472	\$ 17,188,763	\$ 17,210,999	\$ 22,236

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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FRISCO, TEXAS 75034

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

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, 2010, and have issued our report thereon dated August 31, 2010. 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.

Signature on File

August 31, 2010

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

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MEMBERS
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TEXAS SOCIETY OF CPAs

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

McKinney Independent School District

1 Duvall Street

McKinney, Texas 75069

Members of the Board:

Compliance

We have audited the compliance of the McKinney Independent School District, McKinney, Texas with the types of compliance requirements described in the *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, 2010. 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, 2010.

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.

Signature on File

August 31, 2010

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

<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	\$584,164	
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.	
Major Federal Programs	National School Breakfast and Lunch Program	10.555
	ESEA, Title I, Part A	84.010
	ESEA, Title I, Part A, ARRA	84.389
	IDEA - Part B, Formula	84.027
	Idea - Part B, Formula - ARRA	84.391
	Title XIV, State Fiscal Stabilization Fund - ARRA	84.394
Pass-through Entity	Texas Education Agency	

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings

For the Year Ended June 30, 2010

<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, 2010

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, 2010

(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	84.011A	10615001057950	\$ 4,386
ESEA, Title X, Pt. C - ARRA Education for Homeless	84.387A	A09-018	55,538
ESEA, Title X, Part C -Homeless Children	84.387A	00-037	87,934
Total CFDA Number 84.387A			143,472
ESEA, Title IV, Pt. A - Safe and Drug-Free School	84.186A	10691001057950	40,522
Title III, Part A - English Language Acquisition	84.365A	10671001057950	276,294
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501057950	460,988
ESEA, Title I, A - ARRA Improving Basic Programs	84.389A	10551001057950	225,742
Total Passed Through Region X ESC			\$ 1,151,404
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101043907	\$ 1,543,383
ESEA, Title I, Part D, Delinquent Programs	84.010A	10610103043707	280,804
Total CFDA Number 84.010A			1,824,187
IDEA - Part B, Formula	84.027	10660001043907	2,909,167
IDEA - Part B, Discretionary	84.027	10660006043907	46,273
Total CFDA Number 84.027			2,955,440
Career and Technical - Basic Grant	84.048	10420006043907	159,522
Title II, Part D -Enhancing Ed. Through Technology	84.318	10630001043907	14,920
Summer School LEP	84.369A	10955050243907	7,722
IDEA - Part B, Preschool	84.173	10661001043907	48,589
ESEA, Title I, D - ARRA - Improving Basic Programs	84.389	10551003043907	140,386
IDEA, Part B, Formula - ARRA	84.391	10554001043907	1,937,522
IDEA, Part B, Preschool - ARRA	84.392	10555001043907	61,172
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001043907	6,620,812
Total Passed Through State Department of Education			\$ 13,770,272
TOTAL DEPARTMENT OF EDUCATION			\$ 14,921,676
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region X ESC</u>			
Head Start	93.600	06CH0391	\$ 271,896
Total Passed Through Region X ESC			\$ 271,896
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778		\$ 5,491
Total Passed Through Texas Dept of Human Services			\$ 5,491
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 277,387

MCKINNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010

(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 AGRICULTURE			
<u>Passed Through Texas Dept of Human Services</u>			
Donated Commodities	10.550		\$ 298,689
Total Passed Through Texas Dept of Human Services			\$ 298,689
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program	10.555		\$ 3,248,485
NSLP Equipment Assistance Grant	10.579		16,883
Watershed Protection and Flood Control	10.904		2,810
Total Passed Through the State Department of Agriculture			\$ 3,268,178
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,566,867
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,765,930

Note: School Health and Related Services reimbursements of \$706,213 are recorded as federal program revenue in the general fund, but are not considered awards for the purpose of this schedule.

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to Schedule of Expenditures of Federal Awards

For Year Ended June 30, 2010

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, in any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.