

**MCKINNEY  
INDEPENDENT SCHOOL DISTRICT**

Financial Report for the Year Ended

June 30, 2014



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CERTIFICATE OF BOARD

McKinney Independent School District

Collin

043-907

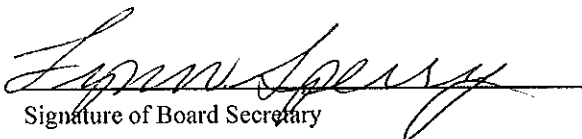
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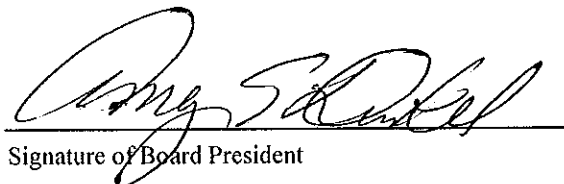
Name of School District

County

Co.- Dist. Number

We, the undersigned, certify that the attached financial reports of the above-named school district were reviewed and  approved ( ) disapproved for the year ended June 30, 2014, at a meeting of the Board of School Trustees of such school district on the 28<sup>th</sup> day of October, 2014.

  
Signature of Board Secretary

  
Signature of Board President

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

## **FINANCIAL SECTION**



**EVANS, PINGLETON and HOWARD, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS  
8950 GARY BURNS DRIVE, SUITE D  
FRISCO, TEXAS 75034  
972-335-9754/FAX 972-335-9758

**Independent Auditor's Report**

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

Members of the Board:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McKinney Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McKinney Independent School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McKinney Independent School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, required Texas Education Agency report section and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the McKinney Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McKinney Independent School District's internal control over financial reporting and compliance.

*Evans, Pingleton and Howard, PLLC*

Frisco, Texas  
September 12, 2014

## 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, 2014. 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 Position (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 non-major 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 Position and the Statement of Activities*

The government-wide statements (Exhibits A-1 and B-1) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position, 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 Position* and how it has changed. Net position, 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 position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consider additional non-financial factors such as changes in the District's tax base.

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

## REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

The fund financial statements (Exhibits C-1 and C-3) provide more detailed information about the District's most significant funds, not the District as a whole. Funds are a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are reported in governmental funds. The funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (Exhibits C-2 and C-4)
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position, Exhibits D-1 and D-2 respectively. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was \$110,865,106 on June 30, 2014. (See Table A-1).

**Table A-1  
The District's Net Position**

	Governmental Activities		Percentage
	2014	2013	Change
Current & Other Assets	\$142,179,502	\$117,441,324	21.06%
Capital & Non-Current Assets	488,676,874	487,642,607	0.21%
<b>Total Assets</b>	<b>\$630,856,376</b>	<b>\$605,083,931</b>	<b>4.26%</b>
<b>Deferred Outflows of Resources</b>	-	\$936,743	-100.00%
Current Liabilities	\$56,798,602	\$54,786,458	3.67%
Long Term Liabilities	462,941,145	450,718,187	2.71%
<b>Total Liabilities</b>	<b>\$519,739,747</b>	<b>\$505,504,645</b>	<b>2.81%</b>
<b>Deferred Inflows of Resources</b>	<b>\$251,523</b>	<b>\$313,655</b>	<b>-19.81%</b>
<b>Net Position</b>			
Invested in Capital Assets			
net of related debt	\$25,773,308	\$24,314,409	6.00%
Restricted	24,855,650	23,117,946	7.52%
Unrestricted	60,236,148	52,770,019	14.15%
<b>Total Net Position</b>	<b>\$110,865,106</b>	<b>\$100,202,374</b>	<b>10.64%</b>

**Governmental Activities - Net Position**

Current assets increased 21.06% from the previous year as tax collections increased due to the tax rate established by the tax ratification election in September 2013.

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

	Governmental Activities		Percentage Change
	2014	2013	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for services	\$8,681,379	\$8,760,826	-0.91%
Operating grants & contributions	20,784,914	19,801,833	4.96%
<u>General Revenues</u>			
Property taxes	158,833,075	138,794,222	14.44%
State aid - formula	65,240,231	63,769,503	2.31%
Investment earnings	104,786	182,325	-42.53%
Grants & contributions not restricted	302,748	210,843	43.59%
Other	6,042,169	7,443,794	-18.83%
<b>Total Revenues &amp; Extraordinary Items</b>	<b>\$259,989,302</b>	<b>\$238,963,346</b>	<b>8.80%</b>
<b>Expenses</b>			
Instruction and instructional related	147,656,056	139,964,375	5.50%
Instructional leadership/school administration	15,618,367	14,918,259	4.69%
Guidance, social work, health, transportation	16,061,689	16,260,062	-1.22%
Food services	9,210,466	8,958,674	2.81%
Extracurricular activities	7,837,180	7,154,849	9.54%
General administration	4,167,625	3,692,035	12.88%
Plant maintenance & security	19,767,903	19,578,461	0.97%
Community services	2,241,395	2,262,642	-0.94%
Data processing services	5,008,528	7,032,335	-28.78%
Debt service	20,556,563	22,290,540	-7.78%
Contracted instructional services between public schools	207,902	122,652	69.50%
Other intergovernmental charges	992,896	895,125	10.92%
<b>Total Expenses</b>	<b>\$249,326,570</b>	<b>\$243,130,009</b>	<b>2.55%</b>
<b>Change in Net Position</b>	<b>10,662,732</b>	<b>(4,166,663)</b>	<b>355.91%</b>
<b>Net Position-Beginning</b>	<b>100,202,374</b>	<b>105,497,340</b>	<b>-5.02%</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(1,128,303)</b>	<b>-100.00%</b>
<b>Net Position-Ending</b>	<b>\$110,865,106</b>	<b>\$100,202,374</b>	<b>10.64%</b>

**Governmental Activities-Changes in Net Position**

- Property taxes increased with the new tax rate established by the tax ratification election.
- Investment earnings decreased as interest rates declined.
- Grants and contributions, not restricted, increased as grants and contributions increased and indirect cost rate recovery was applied.
- Expenses for Data Processing services decreased as these funds were not used for the purchases of non capital technology equipment as in FY 13.
- Payments to Juvenile Justice Alternative Education Program increased as student numbers grew.

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 \$249,326,570.
- The amount paid by MISD taxpayers for these governmental activities through property taxes was \$158,833,075.
- Some of the cost (\$8,681,379) was paid by those who directly benefited from the programs or by grants and contributions of \$20,784,914
- State aid formula grants paid for \$65,240,231 of the costs.

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2014</u>	<u>2013</u>	% Change	<u>2014</u>	<u>2013</u>	% Change
Instruction	\$140,827,715	\$133,578,989	5.43%	\$127,663,283	\$120,696,585	5.77%
School leadership	12,806,487	12,188,240	5.07%	12,166,528	11,630,729	4.61%
Plant maintenance & operations	18,596,890	18,141,778	2.51%	17,737,511	17,204,210	3.10%
Debt service-interest & fiscal charges	20,556,563	22,290,540	-7.78%	20,556,563	22,290,540	-7.78%

**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 \$113,455,730 as compared to a fund balance ending June 30, 2013 of \$90,513,457. The increase was due to increased tax revenues as a result of the approval of the tax ratification election.

**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, 2014 exceeded budget by \$1,259,216 due primarily to tax collections exceeding expectations. Total expenditures for the fiscal year were \$5,395,413 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 2013, the ending general fund balance of \$54.5 million represented 29.1% of the 2013-2014 final operating budget. At fiscal year-end 2014, the ending fund balance of \$60.1 million represented 30.4% of the 2014-2015 operating budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

At the end of 2014, the District had invested \$488,676,873 in a broad range of capital assets, including land, equipment, buildings, and construction in progress. (See Table A-4) Additional information on capital assets is contained in Note 4, Section D of the Notes to the Financial Statements.

**Table A-4  
District's Capital Assets  
Governmental Activities**

	<u>2014</u>	<u>2013</u>	<u>Total % Change</u>
Land	\$ 37,176,570	\$ 37,162,334	0.04%
Buildings & improvements	545,292,695	526,183,277	3.63%
Furniture & equipment	13,718,262	14,848,034	-7.61%
Construction in progress	54,182,302	59,635,300	-9.14%
Totals at historical cost	<u>\$ 650,369,829</u>	<u>\$ 637,828,945</u>	1.97%
Total accumulated depreciation	161,692,956	150,186,338	7.66%
Net capital assets	<u>\$ 488,676,873</u>	<u>\$ 487,642,607</u>	0.21%

At the 2014 year-end, the District had \$487,801,045 bonds outstanding as compared to \$474,748,187 at 2013 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>2014</u>	<u>2013</u>	<u>Total % Change</u>
Bonds payable	\$ 487,801,045	\$ 474,748,187	2.75%

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 "Aa2"
- Standard & Poor's "AA"

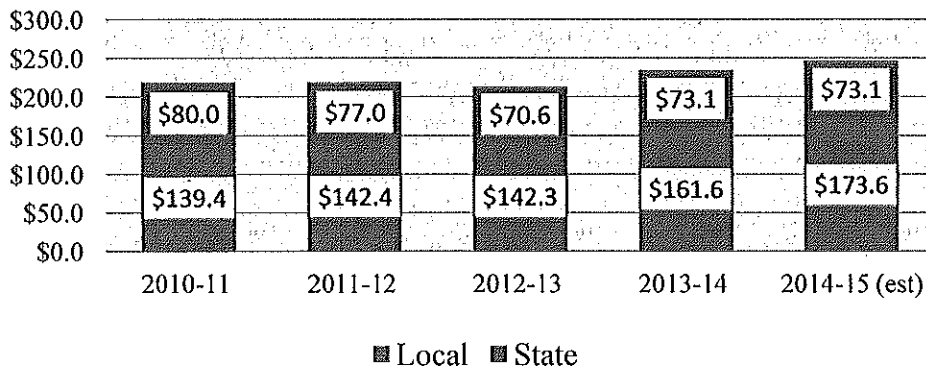
**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- Net taxable appraised value used for the 2015 budget preparation has increased approximately \$921.5 million, which represents an increase of 9.5% from 2014 values. New construction for 2015 amounts to approximately \$251.3 million. Value lost for new exemptions totals \$32.5 million.
- A comparison of budgeted general operating fund spending per pupil (based on fall enrollment) in the 2013-14 fiscal year of \$7,604 to the budgeted 2014-15 spending per pupil of \$7,976 represents a budgeted increase in spending per pupil of 4.9%.
- The District’s 2015 fall enrollment is expected to be approximately 24,715 which represents a .6 % increase over 2014.

These indicators were taken into account when adopting the general fund budget for 2014-15. Revenues available for appropriation in the general fund budget are \$196,097,556 an increase of 5.5% over the final 2013-14 budget of \$185,940,657. The difference is due to primarily to an increase in property values.

A tax ratification election in September 2013 brought the District’s tax rate to \$1.670. The following chart demonstrates the relationship of state and local funding for the past four years along with estimated amounts for 2014-15.

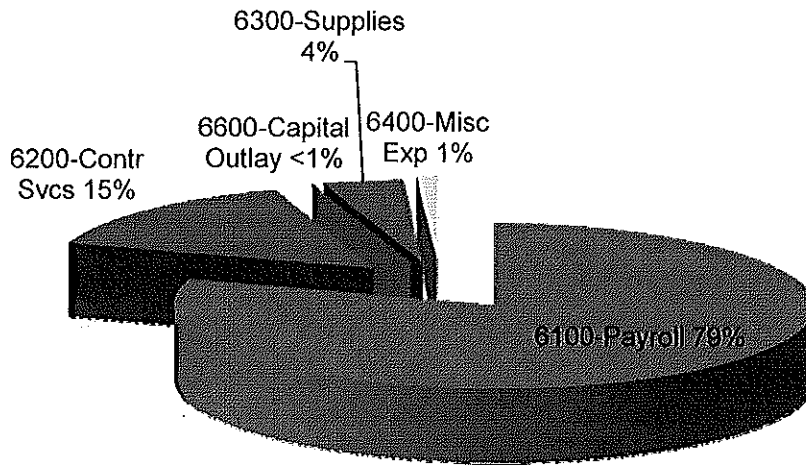
**State vs. Local Revenue (in millions)  
(General & Debt Service Funds)**





General fund expenditures for 2014-15 are budgeted to increase 5.7% to \$197.6 million. The largest increase is expected in payroll costs due to district wide salary increases granted in FY 15.

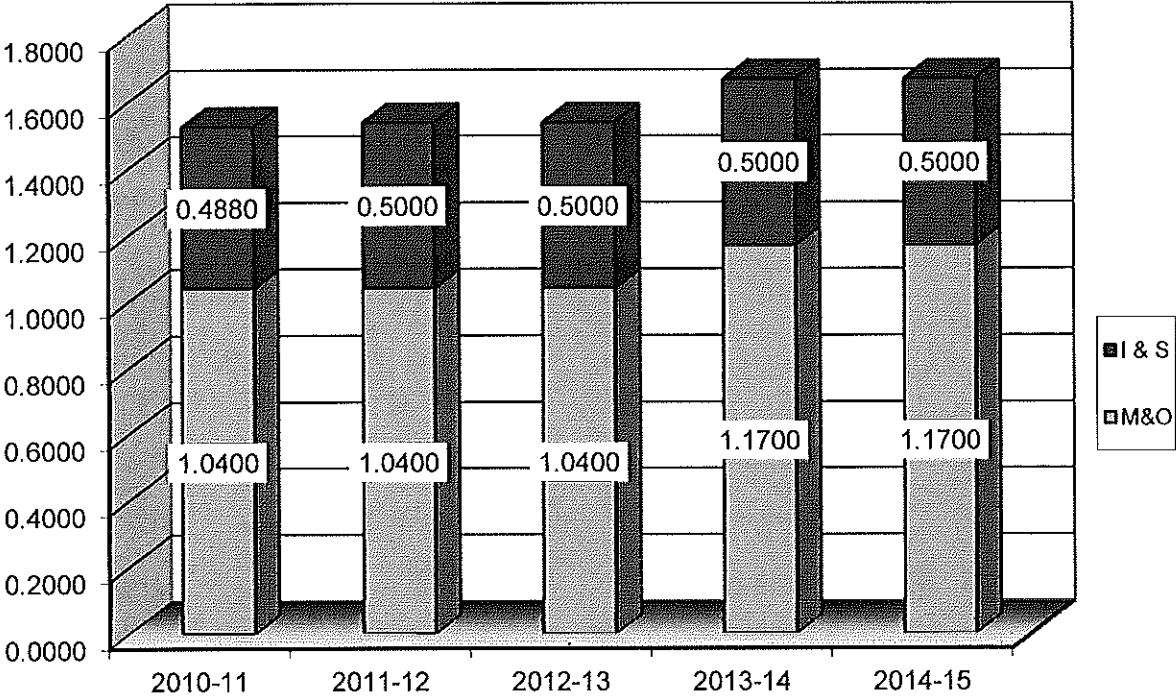
### 2014-2015 Percent of General Fund Budget by Object



- 6100-Payroll 79%
- 6200-Contr Svcs 15%
- 6600-Capital Outlay <1%
- 6300-Supplies 4%
- 6400-Misc Exp 1%

The District's projected tax rate will remain at \$1.670 in 2015, with the debt portion at \$0.500 and the M&O portion at \$1.17. The average taxable value of an average residence is expected to increase from \$221,821 in 2014 to \$242,944 in 2015.

**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 POSITION  
JUNE 30, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 120,048,085
1220 Property Taxes Receivable (Delinquent)	4,110,695
1230 Allowance for Uncollectible Taxes	(123,242)
1240 Due from Other Governments	15,202,562
1250 Accrued Interest	15,036
1290 Other Receivables, net	1,151,260
1300 Inventories	578,368
1410 Prepayments	1,196,738
Capital Assets:	
1510 Land	37,176,570
1520 Buildings, Net	392,093,006
1530 Furniture and Equipment, Net	5,224,996
1580 Construction in Progress	54,182,302
1000 Total Assets	630,856,376
<b>LIABILITIES</b>	
2110 Accounts Payable	2,963,661
2140 Interest Payable	7,453,806
2150 Payroll Deductions & Withholdings	191,014
2160 Accrued Wages Payable	19,339,401
2180 Due to Other Governments	870,281
2200 Accrued Expenses	1,120,439
Noncurrent Liabilities	
2501 Due Within One Year	24,860,000
2502 Due in More Than One Year	462,941,145
2000 Total Liabilities	519,739,747
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Resource Inflow #2	251,523
2600 Total Deferred Inflows of Resources	251,523
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	25,773,308
3820 Restricted for Federal and State Programs	3,603,217
3850 Restricted for Debt Service	21,252,433
3900 Unrestricted	60,236,148
3000 Total Net Position	\$ 110,865,106

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, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 140,827,715	\$ 216,795	\$ 12,947,637	\$ (127,663,283)
12 Instructional Resources and Media Services	4,137,924	-	155,278	(3,982,646)
13 Curriculum and Staff Development	2,690,417	-	454,800	(2,235,617)
21 Instructional Leadership	2,811,880	-	336,824	(2,475,056)
23 School Leadership	12,806,487	-	639,959	(12,166,528)
31 Guidance, Counseling and Evaluation Services	6,153,869	-	570,174	(5,583,695)
32 Social Work Services	415,981	-	5,609	(410,372)
33 Health Services	1,944,264	-	101,949	(1,842,315)
34 Student (Pupil) Transportation	7,547,575	-	18,342	(7,529,233)
35 Food Services	9,210,466	4,560,033	4,862,050	211,617
36 Extracurricular Activities	7,837,180	490,988	191,320	(7,154,872)
41 General Administration	4,167,625	-	148,194	(4,019,431)
51 Facilities Maintenance and Operations	18,596,890	658,650	200,729	(17,737,511)
52 Security and Monitoring Services	1,171,013	-	13,330	(1,157,683)
53 Data Processing Services	5,008,528	-	92,523	(4,916,005)
61 Community Services	2,241,395	2,754,913	46,196	559,714
72 Debt Service - Interest on Long Term Debt	20,378,850	-	-	(20,378,850)
73 Debt Service - Bond Issuance Cost and Fees	177,713	-	-	(177,713)
95 Payments to Juvenile Justice Alternative Ed. Prg.	207,902	-	-	(207,902)
99 Other Intergovernmental Charges	992,896	-	-	(992,896)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 249,326,570</b>	<b>\$ 8,681,379</b>	<b>\$ 20,784,914</b>	<b>(219,860,277)</b>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	111,278,708
DT	Property Taxes, Levied for Debt Service	47,554,367
SF	State Aid - Formula Grants	65,240,231
GC	Grants and Contributions not Restricted	302,748
IE	Investment Earnings	104,786
MI	Miscellaneous Local and Intermediate Revenue	6,042,169
TR	<b>Total General Revenues</b>	<b>230,523,009</b>
CN	Change in Net Position	10,662,732
NB	Net Position - Beginning	100,202,374
NE	<b>Net Position--Ending</b>	<b>\$ 110,865,106</b>

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 65,694,934	\$ 19,975,503	\$ 27,711,087
1220 Property Taxes - Delinquent	2,886,017	1,224,678	-
1230 Allowance for Uncollectible Taxes (Credit)	(86,502)	(36,740)	-
1240 Receivables from Other Governments	13,085,532	-	-
1250 Accrued Interest	13,692	1,344	-
1290 Other Receivables	1,036,836	87,648	-
1300 Inventories	578,368	-	-
1410 Prepayments	650,175	-	516,853
1000 Total Assets	<u>\$ 83,859,052</u>	<u>\$ 21,252,433</u>	<u>\$ 28,227,940</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 147,705	\$ -	\$ 2,803,194
2150 Payroll Deductions and Withholdings Payable	191,014	-	-
2160 Accrued Wages Payable	18,453,941	-	-
2180 Due to Other Governments	870,281	-	-
2200 Accrued Expenditures	1,084,614	-	10,314
2000 Total Liabilities	<u>20,747,555</u>	<u>-</u>	<u>2,813,508</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	2,799,515	1,187,938	-
2602 Unavailable Revenue - Other	213,614	-	-
2600 Total Deferred Inflows of Resources	<u>3,013,129</u>	<u>1,187,938</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	578,368	-	-
3430 Prepaid Items	650,175	-	516,853
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	24,897,579
3480 Retirement of Long-Term Debt	-	20,064,495	-
Assigned Fund Balance:			
3560 Litigation and Claims	70,000	-	-
3580 Insurance Deductibles	122,000	-	-
3590 Encumbrance Carryover	48,000	-	-
3600 Unassigned Fund Balance	58,629,825	-	-
3000 Total Fund Balances	<u>60,098,368</u>	<u>20,064,495</u>	<u>25,414,432</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 83,859,052</u>	<u>\$ 21,252,433</u>	<u>\$ 28,227,940</u>

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

Other Funds	Total Governmental Funds
\$ 6,666,561	\$ 120,048,085
-	4,110,695
-	(123,242)
2,117,030	15,202,562
-	15,036
26,776	1,151,260
-	578,368
29,710	1,196,738
<u>\$ 8,840,077</u>	<u>\$ 142,179,502</u>
\$ 12,762	\$ 2,963,661
-	191,014
885,460	19,339,401
-	870,281
25,511	1,120,439
<u>923,733</u>	<u>24,484,796</u>
-	3,987,453
37,909	251,523
<u>37,909</u>	<u>4,238,976</u>
-	578,368
14,774	1,181,802
3,603,217	3,603,217
-	24,897,579
-	20,064,495
-	70,000
-	122,000
-	48,000
4,260,444	62,890,269
<u>7,878,435</u>	<u>113,455,730</u>
<u>\$ 8,840,077</u>	<u>\$ 142,179,502</u>



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MCKINNEY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	113,455,730
<b>1</b> 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 \$637,828,945 and the accumulated depreciation was \$150,186,338. In addition, long-term liabilities, including bonds payable of \$451,930,000 are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		35,712,607
<b>2</b> Current year capital outlays of \$15,835,096 and long-term debt principal payments of \$25,270,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		41,105,096
<b>3</b> Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net position.		(7,453,806)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(57,166,372)
<b>5</b> The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(14,788,149)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>110,865,106</b>

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, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 113,815,929	\$ 47,738,363	\$ 29,303
5800 State Program Revenues	73,081,197	-	-
5900 Federal Program Revenues	302,747	-	-
5020 Total Revenues	<u>187,199,873</u>	<u>47,738,363</u>	<u>29,303</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	113,443,727	-	3,836,407
0012 Instructional Resources and Media Services	3,315,279	-	-
0013 Curriculum and Instructional Staff Development	2,322,586	-	-
0021 Instructional Leadership	2,600,511	-	-
0023 School Leadership	11,651,045	-	-
0031 Guidance, Counseling and Evaluation Services	5,902,747	-	-
0032 Social Work Services	415,861	-	-
0033 Health Services	1,941,237	-	-
0034 Student (Pupil) Transportation	7,500,199	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	5,674,793	-	241,523
0041 General Administration	3,802,844	-	-
0051 Facilities Maintenance and Operations	17,899,667	-	-
0052 Security and Monitoring Services	882,736	-	-
0053 Data Processing Services	3,165,845	-	-
0061 Community Services	137,186	-	-
<b>Debt Service:</b>			
0071 Principal on Long Term Debt	-	25,270,000	-
0072 Interest on Long Term Debt	-	21,680,271	-
0073 Bond Issuance Cost and Fees	-	12,558	165,155
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	141,270	-	21,338,797
<b>Intergovernmental:</b>			
0095 Payments to Juvenile Justice Alternative Ed. Prg.	207,902	-	-
0099 Other Intergovernmental Charges	992,896	-	-
6030 Total Expenditures	<u>181,998,331</u>	<u>46,962,829</u>	<u>25,581,882</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,201,542</u>	<u>775,534</u>	<u>(25,552,579)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	39,305,000
7912 Sale of Real and Personal Property	44,084	-	231,919
7915 Transfers In	400,000	-	-
7916 Premium or Discount on Issuance of Bonds	-	-	864,710
8911 Transfers Out (Use)	-	-	-
7080 Total Other Financing Sources (Uses)	<u>444,084</u>	<u>-</u>	<u>40,401,629</u>
1200 Net Change in Fund Balances	5,645,626	775,534	14,849,050
0100 Fund Balance - July 1 (Beginning)	54,452,742	19,288,961	10,565,382
3000 Fund Balance - June 30 (Ending)	<u>\$ 60,098,368</u>	<u>\$ 20,064,495</u>	<u>\$ 25,414,432</u>

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

	Other Funds	Total Governmental Funds
\$	11,530,010	\$ 173,113,605
	979,526	74,060,723
	11,964,423	12,267,170
	24,473,959	259,441,498
	9,194,216	126,474,350
	294,119	3,609,398
	367,831	2,690,417
	211,369	2,811,880
	812,605	12,463,650
	250,263	6,153,010
	120	415,981
	3,027	1,944,264
	15,254	7,515,453
	8,325,963	8,325,963
	432,107	6,348,423
	1,598	3,804,442
	275,915	18,175,582
	93,599	976,335
	-	3,165,845
	2,123,910	2,261,096
	-	25,270,000
	-	21,680,271
	-	177,713
	-	21,480,067
	-	207,902
	-	992,896
	22,401,896	276,944,938
	2,072,063	(17,503,440)
	-	39,305,000
	-	276,003
	-	400,000
	-	864,710
	(400,000)	(400,000)
	(400,000)	40,445,713
	1,672,063	22,942,273
	6,206,372	90,513,457
\$	7,878,435	\$ 113,455,730

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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, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	22,942,273
Current year capital outlays of \$15,835,096 and long-term debt principal payments of \$25,270,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.		41,105,096
Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net position.		391,412
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(14,788,149)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(38,987,900)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>10,662,732</u>

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

EXHIBIT D-1

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,549	\$ 573,139
Restricted Assets	13,961	-
Total Assets	<u>15,510</u>	<u>\$ 573,139</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 573,139
Total Liabilities	<u>-</u>	<u>\$ 573,139</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>15,510</u>	
Total Net Position	<u>\$ 15,510</u>	

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 122
Total Additions	<u>122</u>
DEDUCTIONS:	
Other Operating Costs	<u>265</u>
Total Deductions	<u>265</u>
Change in Net Position	(143)
Total Net Position - July 1 (Beginning)	<u>15,653</u>
Total Net Position - June 30 (Ending)	<u>\$ 15,510</u>

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



MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

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

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 unmatu-  
red interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

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

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. 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

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

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

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

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

**D. Fund Accounting**

The District reports the following major governmental funds:

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

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

Governmental Funds:

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

Fiduciary Funds:

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

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

**E. Assets, Liabilities, and Net Position 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.

**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:

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

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

**4. Capital Assets (continued)**

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

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

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

**7. Fund Equity**

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

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

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

**7. Fund Equity (continued)**

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of June 30, 2014.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by an official to which the Board of Trustees delegates this authority.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

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

**7. Fund Equity (continued)**

As of June 30, 2014, fund balances are composed of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>					
Inventories	578,368	-	-	-	578,368
Prepaid items	650,175	-	516,853	14,774	1,181,802
<b>Restricted:</b>					
Debt service	-	20,064,495	-	-	20,064,495
Federal grants	-	-	-	3,603,217	3,603,217
State grants	-	-	-	-	-
Construction	-	-	24,897,579	-	24,897,579
<b>Committed:</b>					
	-	-	-	-	-
<b>Assigned:</b>					
Litigation and claims	70,000	-	-	-	70,000
Insurance deductibles	122,000	-	-	-	122,000
Encumbrance Carryover	48,000	-	-	-	48,000
<b>Unassigned:</b>					
	58,629,825	-	-	4,260,444	62,890,269
<b>Total fund balances</b>	<b>\$ 60,098,368</b>	<b>20,064,495</b>	<b>25,414,432</b>	<b>7,878,435</b>	<b>113,455,730</b>

**8. Data Control Codes**

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

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

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**

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

Exhibit C-2 provides a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(46,658,994) adjustment are as follows:

Deferred revenue:		
To remove the current year uncollected tax levy from unavailable revenue	\$ 1,769,229	
To remove prior year collectible delinquent tax levy receivable from unavailable revenue		<u>2,218,224</u>
		<u>3,987,453</u>
 Long-term debt:		
Premium on bonds	(21,836,145)	
Issuance of Bonds Payable		<u>(39,305,000)</u>
		<u>(61,141,145)</u>
 Capital assets:		
Disposal of capital assets		<u>(12,680)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities		<u>\$ (57,166,372)</u>

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

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(36,641,884) adjustment are as follows:

Taxes:		
To move the current year uncollected tax levy to revenue	\$ 1,769,229	
To remove the prior year tax collection from current year revenue		<u>(1,484,748)</u>
		<u>284,481</u>
 Long-term debt:		
Current year amortization	910,009	
Issuance of Bonds Payable		<u>(39,305,000)</u>
Current year premium on bonds		<u>(864,710)</u>
		<u>(39,259,701)</u>
 Capital assets:		
Disposal of capital assets		<u>(12,680)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes to net position of governmental activities		<u>\$ (38,987,900)</u>



MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Data**

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

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

1. Prior to June 19, the District prepares a budget for the next succeeding fiscal period beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was properly amended throughout the year by the Board of Trustees.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

June 30, 2014 Fund Balance

Appropriated budget funds - Food Service Special Revenue Fund	\$3,589,899
Nonappropriated budget funds	<u>4,288,536</u>
All Special Revenue Funds	<u>\$7,878,435</u>

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

**B. Encumbrance Accounting**

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

At June 30, 2014, the carrying amount of the District's cash, savings, and time deposits was (\$273,705). The bank balance was \$688,561. The District's combined deposits at June 30, 2014 and during the year ended June 30, 2014 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 \$ 4,165,591.
- c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$ 1,064,244 and occurred during the month of November.
- d. Total amount of FDIC coverage at the time of highest combined balance was \$250,000.

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings account; (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Fund; (8) Investment pools; (9) guaranteed investment contracts; and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

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

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

**A. Deposits and Investments (continued)**

- b. Custodial Credit Risk - Investments: (continued)  
of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. Credit Risk - This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2014, were as follows:

<u>Investment type:</u>	<u>Fair Value</u>
TexStar investment pool	\$45,503,872
State Treasurer's investment pool	40,372,458
Certificate of Deposit	<u>35,033,912</u>
Total	<u><u>\$120,910,242</u></u>

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

**B. Property Taxes**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2013, upon which the levy for the 2013-14 fiscal period was based, was \$9,625,777,172. The roll was subsequently decreased to a period end assessed value of \$9,609,924,899. 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, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.50 per \$100 valuation, respectively, for the total of \$1.67 per \$100 valuation.

Total tax collections for the year ended June 30, 2014, were 98.85% 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, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,799,515 and \$1,187,938 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, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 119,526	12,966,006	-	13,085,532
Special revenue	-	19,325	2,097,705	2,117,030
Total	<u>\$119,526</u>	<u>12,985,331</u>	<u>2,097,705</u>	<u>15,202,562</u>

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For the Year Ended June 30, 2014

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

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2014, was as follows:

<u>Primary Government</u>	<u>Beginning</u>			<u>Ending</u>
Government activities:	Balance	Additions	Retirements	Balance
Land	\$ 37,162,334	14,236		37,176,570
Buildings and improvements	526,183,277	19,128,667	(19,249)	545,292,695
Furniture and equipment	14,848,034	2,145,191	(3,274,963)	13,718,262
Construction in progress	<u>59,635,300</u>	<u>12,798,424</u>	<u>(18,251,422)</u>	<u>54,182,302</u>
Totals at historical cost	<u>637,828,945</u>	<u>34,086,518</u>	<u>(21,545,634)</u>	<u>650,369,829</u>
Less accumulated depreciation for:				
Buildings and improvements	(139,925,990)	(13,292,948)	19,249	(153,199,689)
Furniture and equipment	<u>(10,260,348)</u>	<u>(1,495,201)</u>	<u>3,262,283</u>	<u>(8,493,266)</u>
Total accumulated depreciation	<u>(150,186,338)</u>	<u>(14,788,149)</u>	<u>3,281,532</u>	<u>(161,692,955)</u>
Governmental activities capital assets, net	<u>\$ 487,642,607</u>	<u>19,298,369</u>	<u>(18,264,102)</u>	<u>488,676,874</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 10,441,909
Instructional resources and media	296,520
School leadership	176,794
Student transportation	32,122
Food services	899,531
Extracurricular activities	1,381,980
General administration	58,290
Plant maintenance and operations	425,703
Security and monitoring services	143,013
Data processing services	<u>932,287</u>
Total depreciation expense	<u>\$ 14,788,149</u>

**E. Construction Commitments**

At June 30, 2014, the District had the following projects under construction. A summary of the status of these projects and the related binding contracts with contractors is as follows:

<u>Project Name</u>	<u>Scheduled</u>	<u>Budgeted</u>	<u>Costs</u>
	<u>Completion</u>	<u>Costs</u>	<u>Incurred</u>
	<u>Date</u>	<u>Through</u>	<u>Through</u>
		<u>6/30/2014</u>	
MHS Renovation	8/14	49,675,070	49,154,676
Replace Asphalt Pkng Lot	8/14	445,629	36,507
Webb Elementary Roof	8/14	359,800	206,280
District Wide Phone System	9/14	1,454,452	1,176,313
Dowell MS Renovation	8/15	17,428,298	729,007
		<u>\$ 69,363,249</u>	<u>51,302,783</u>

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For the Year Ended June 30, 2014

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

**F. Bonds Payable**

Bonds payable activity for the year ended June 30, 2014, was as follows:

Governmental Activities Bonded Indebtedness:	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2003 Refunding	4.23	\$ 46,075,000	870,000	-	(870,000)	-	-
2004 Sch. Bldg. & Ref.	4.97	42,885,000	4,840,000	-	(860,000)	3,980,000	725,000
2004 Refunding	4.57	10,395,000	4,715,000	-	(1,085,000)	3,630,000	1,150,000
2005 Refunding	5.17	77,905,000	62,715,000	-	(8,575,000)	54,140,000	9,070,000
2005 School Bldg.	4.41	30,630,000	22,435,000	-	(905,000)	21,530,000	950,000
2006 School Bldg.	4.50	67,450,000	56,560,000	-	(2,085,000)	54,475,000	2,175,000
2007 School Bldg.	4.65	52,695,000	45,290,000	-	(1,495,000)	43,795,000	1,570,000
2008 School Bldg.	4.65	50,580,000	44,750,000	-	(1,335,000)	43,415,000	1,405,000
2009 Sch. Bldg. & Ref.	4.60	58,805,000	50,120,000	-	(1,165,000)	48,955,000	1,175,000
2010 Refunding	3.46	31,110,000	21,670,000	-	(1,695,000)	19,975,000	1,785,000
2011 School Bldg.	3.73	48,605,000	47,565,000	-	(540,000)	47,025,000	550,000
2011 Sch. Bldg. & Ref	4.39	38,740,000	36,425,000	-	(3,420,000)	33,005,000	4,055,000
2012 Bldg. & Ref.	3.02	53,975,000	53,975,000	-	-	53,975,000	250,000
2013 School Bldg.	4.00	\$ 39,305,000	-	39,305,000	(1,240,000)	38,065,000	-
Total bonded indebtedness			451,930,000	39,305,000	(25,270,000)	465,965,000	24,860,000
Bond Premium			22,818,187	864,710	(1,846,752)	21,836,145	-
Total bonds payable			<u>\$474,748,187</u>	<u>40,169,710</u>	<u>(27,116,752)</u>	<u>487,801,145</u>	<u>24,860,000</u>

General obligation bonds consist of 2004-2009, 2011, and 2013 School Building Bonds bearing interest at 2.00 - 6.00% per annum and 2004-2005, and 2009-2010, and 2012 Refunding Bonds bearing interest at 2.00 - 5.38% per annum. Interest expense for the year on all bonded indebtedness was \$21,680,271.

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

Year Ending	Principal	Interest	Total Requirements
June 30			
2015	\$ 24,860,000	20,927,412	45,787,412
2016	25,840,000	19,743,156	45,583,156
2017	26,875,000	18,502,755	45,377,755
2018	27,980,000	17,216,514	45,196,514
2019	28,705,000	15,894,599	44,599,599
2020-2024	129,580,000	60,200,151	189,780,151
2025-2029	109,835,000	33,254,715	143,089,715
2030-2034	70,965,000	11,049,300	82,014,300
2035-2039	21,325,000	1,483,133	22,808,133
Total	<u>\$ 465,965,000</u>	<u>198,271,735</u>	<u>664,236,735</u>

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**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 2014, 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, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**C. Revenues from Local and Intermediate Sources**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Private Purpose Funds	Total
Property taxes	\$ 111,048,254	-	47,500,340	-	-	158,548,594
Food sales	-	4,560,033	-	-	-	4,560,033
Investment income	72,345	-	13,072	19,370	122	104,909
Penalties, interest and other tax related income	601,428	-	224,951	-	-	826,379
Co-curricular student activities	490,988	-	-	-	-	490,988
Tuition and fees	216,795	2,754,913	-	-	-	2,971,708
Other	1,386,121	4,215,064	-	9,933	-	5,611,118
<b>Total</b>	<b>\$ 113,815,931</b>	<b>11,530,010</b>	<b>47,738,363</b>	<b>29,303</b>	<b>122</b>	<b>173,113,729</b>

**D. Deferred Inflow of Resources**

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



**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For the Year Ended June 30, 2014

**NOTE 5 OTHER INFORMATION** (continued)

**D. Deferred Inflow of Resources** (continued)

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net tax revenue	\$2,799,515	-	1,187,938	3,987,453
State textbooks	-	13,038	-	13,038
Detachment revenue	119,526	-	-	119,526
Tuition	94,088	-	-	94,088
Advanced placement initiatives	-	24,871	-	24,871
<b>Total</b>	<b>\$ 3,013,129</b>	<b>37,909</b>	<b>1,187,938</b>	<b>4,238,976</b>

**E. Health Care Coverage**

For the year ended June 30, 2014, employees of the District were covered by the TRS active care insurance plan (the plan). The District paid premiums of \$306, per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurer. The plan was authorized by Article 3.51-2., Texas Insurance Code, and was documented by contractual agreement.

Latest financial statements for the Blue Cross Blue Shield are available for the year ended December 31, 2013, 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

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

For the Year Ended June 30, 2014

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations

1. Teacher Retirement System of Texas (continued)

Plan Description (continued)

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](http://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 years 2012, 2013 and 2014 and a state contribution rate of 6% for calendar year 2012, 6.4% for calendar year 2013, and 6.8% for calendar year 2014. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2012, 2013 and 2014 were \$6,858,300, \$6,859,622 and \$7,502,924 respectively. The District paid additional state contributions for the years ended June 30, 2012, 2013 and 2014 in the amount of \$1,497,697, \$1,588,134 and \$1,821,872 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, 2014 were \$142,016. 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.

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements

For the Year Ended June 30, 2014

**NOTE 5 OTHER INFORMATION** (continued)

**G. Retiree Health Plan**

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

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2013, and 2014. 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, 2012, 2013, and 2014, the State's contributions to TRS-Care were \$1,205,492, \$1,216,311 and \$1,261,430 respectively, the active member contributions were \$783,547, \$790,718 and \$820,003 respectively, and the school district's contributions were \$662,996, \$669,056 and \$693,849 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, 2014 is estimated by TRS at \$338,041.

**H. Workers' Compensation Insurance**

During the year ended June 30, 2014, 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.

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**NOTE 5 OTHER INFORMATION (continued)**

**H. Workers' Compensation Insurance (continued)**

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$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, 2013, the Fund carries a discounted reserve of \$68,883,628 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2013, 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, 2013, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**NOTE 6 EVALUATION OF SUBSEQUENT EVENTS**

The District has evaluated subsequent events through September 12, 2014, the date which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTAL INFORMATION**

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT E-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 110,935,622	\$ 110,935,622	\$ 113,815,929	\$ 2,880,307
5800	State Program Revenues	74,680,035	74,680,035	73,081,197	(1,598,838)
5900	Federal Program Revenues	325,000	325,000	302,747	(22,253)
5020	Total Revenues	185,940,657	185,940,657	187,199,873	1,259,216
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	115,630,436	114,703,369	113,443,727	1,259,642
0012	Instructional Resources and Media Services	3,390,409	3,442,230	3,315,279	126,951
0013	Curriculum and Instructional Staff Development	2,407,375	2,463,594	2,322,586	141,008
0021	Instructional Leadership	2,693,407	2,635,584	2,600,511	35,073
0023	School Leadership	11,915,733	12,259,483	11,651,045	608,438
0031	Guidance, Counseling and Evaluation Services	5,971,628	5,973,765	5,902,747	71,018
0032	Social Work Services	340,568	421,548	415,861	5,687
0033	Health Services	1,932,065	1,967,805	1,941,237	26,568
0034	Student (Pupil) Transportation	8,558,136	8,443,062	7,500,199	942,863
0036	Extracurricular Activities	5,645,323	6,013,596	5,674,793	338,803
0041	General Administration	4,044,513	4,062,275	3,802,844	259,431
0051	Facilities Maintenance and Operations	19,133,957	19,016,889	17,899,667	1,117,222
0052	Security and Monitoring Services	807,046	1,017,059	882,736	134,323
0053	Data Processing Services	3,312,897	3,443,530	3,165,845	277,685
0061	Community Services	142,989	145,789	137,186	8,603
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	141,270	141,270	-
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed.	150,000	250,000	207,902	42,098
0099	Other Intergovernmental Charges	909,012	992,896	992,896	-
6030	Total Expenditures	186,985,494	187,393,744	181,998,331	5,395,413
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,044,837)	(1,453,087)	5,201,542	6,654,629
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	44,084	44,084
7915	Transfers In	400,000	400,000	400,000	-
7080	Total Other Financing Sources (Uses)	400,000	400,000	444,084	44,084
1200	Net Change in Fund Balances	(644,837)	(1,053,087)	5,645,626	6,698,713
0100	Fund Balance - July 1 (Beginning)	54,452,742	54,452,742	54,452,742	-
3000	Fund Balance - June 30 (Ending)	\$ 53,807,905	\$ 53,399,655	\$ 60,098,368	\$ 6,698,713

## COMBINING STATEMENTS



MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (127,325)	\$ (10,865)	\$ (370,342)	\$ -
1240	Receivables from Other Governments	181,782	11,924	652,215	-
1290	Other Receivables	-	-	-	-
1410	Prepayments	-	-	8,836	-
1000	<b>Total Assets</b>	<u>\$ 54,457</u>	<u>\$ 1,059</u>	<u>\$ 290,709</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 1,995	\$ -
2160	Accrued Wages Payable	54,457	477	288,714	-
2200	Accrued Expenditures	-	582	-	-
2300	Unearned Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>54,457</u>	<u>1,059</u>	<u>290,709</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 54,457</u>	<u>\$ 1,059</u>	<u>\$ 290,709</u>	<u>\$ -</u>

EXHIBIT F-1 (Cont'd)

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	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds
\$ (348,261)	\$ -	\$ (68,669)	\$ 3,481,092	\$ (49,879)	\$ (68,447)	\$ (86,213)	\$ -
802,636	-	68,669	113,254	51,694	100,248	115,283	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 454,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,594,346</u>	<u>\$ 1,815</u>	<u>\$ 31,801</u>	<u>\$ 29,070</u>	<u>\$ -</u>
\$ 274	\$ -	\$ -	\$ -	\$ 1,815	\$ -	\$ -	\$ -
436,934	-	-	-	-	31,801	29,070	-
17,167	-	-	4,447	-	-	-	-
-	-	-	-	-	-	-	-
<u>454,375</u>	<u>-</u>	<u>-</u>	<u>4,447</u>	<u>1,815</u>	<u>31,801</u>	<u>29,070</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	3,589,899	-	-	-	13,318
-	-	-	-	-	-	-	(13,318)
-	-	-	<u>3,589,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 454,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,594,346</u>	<u>\$ 1,815</u>	<u>\$ 31,801</u>	<u>\$ 29,070</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

Data Control Codes	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund
<b>ASSETS</b>				
1110	\$ -	\$ (16,702)	\$ 18,771	\$ 13,038
1240	-	19,325	-	-
1290	-	-	-	-
1410	-	-	6,100	-
1000	<u>\$ -</u>	<u>\$ 2,623</u>	<u>\$ 24,871</u>	<u>\$ 13,038</u>
<b>LIABILITIES</b>				
2110	\$ -	\$ -	\$ -	\$ -
2160	-	2,623	-	-
2200	-	-	-	-
2300	-	-	24,871	13,038
2000	<u>-</u>	<u>2,623</u>	<u>24,871</u>	<u>13,038</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3430	-	-	-	-
Restricted Fund Balance:				
3450	-	-	-	-
3600	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ -</u>	<u>\$ 2,623</u>	<u>\$ 24,871</u>	<u>\$ 13,038</u>

411 Technology Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	481 Locally Funded SRF	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,901,129	\$ 1,155,951	\$ 243,283	\$ 6,666,561
-	-	-	-	-	2,117,030
-	-	26,776	-	-	26,776
-	-	7,730	7,044	-	29,710
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935,635</u>	<u>\$ 1,162,995</u>	<u>\$ 243,283</u>	<u>\$ 8,840,077</u>
\$ -	\$ -	\$ 8,678	\$ -	\$ -	\$ 12,762
-	-	41,250	134	-	885,460
-	-	2,833	482	-	25,511
-	-	-	-	-	37,909
-	-	52,761	616	-	961,642
-	-	7,730	7,044	-	14,774
-	-	-	-	-	3,603,217
-	-	2,875,144	1,155,335	243,283	4,260,444
-	-	2,882,874	1,162,379	243,283	7,878,435
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935,635</u>	<u>\$ 1,162,995</u>	<u>\$ 243,283</u>	<u>\$ 8,840,077</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	205 Head Start	206 ESEA Title X, Pt.C Homeless	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	375,512	138,854	2,039,452	-
5020 Total Revenues	<u>375,512</u>	<u>138,854</u>	<u>2,039,452</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	373,776	72,127	1,775,806	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	91	-	139,737	-
0021 Instructional Leadership	-	51,285	29,304	-
0023 School Leadership	-	30	12,652	-
0031 Guidance, Counseling and Evaluation Services	-	12,052	54,480	-
0032 Social Work Services	-	120	-	-
0033 Health Services	-	-	801	-
0034 Student (Pupil) Transportation	-	-	12,388	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	1,645	3,240	14,284	-
6030 Total Expenditures	<u>375,512</u>	<u>138,854</u>	<u>2,039,452</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ 4,560,033	\$ -	\$ -	\$ -	\$ -
-	-	-	40,284	-	-	-	-
3,669,531	36,868	131,399	4,821,766	172,060	285,128	267,109	26,744
<u>3,669,531</u>	<u>36,868</u>	<u>131,399</u>	<u>9,422,083</u>	<u>172,060</u>	<u>285,128</u>	<u>267,109</u>	<u>26,744</u>
3,364,421	36,868	131,399	-	154,004	231,660	129,087	40,062
-	-	-	-	-	-	-	-
107,287	-	-	-	14,250	53,468	-	-
8,606	-	-	-	3,806	-	118,368	-
-	-	-	-	-	-	-	-
183,731	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,776	-	-	-	-	-	1,042	-
-	-	-	8,308,680	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	207,108	-	-	-	-
-	-	-	-	-	-	-	-
3,710	-	-	-	-	-	18,612	-
<u>3,669,531</u>	<u>36,868</u>	<u>131,399</u>	<u>8,515,788</u>	<u>172,060</u>	<u>285,128</u>	<u>267,109</u>	<u>40,062</u>
-	-	-	906,295	-	-	-	(13,318)
-	-	-	-	-	-	-	-
-	-	-	906,295	-	-	-	(13,318)
-	-	-	2,683,604	-	-	-	13,318
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,589,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives	410 State Textbook Fund
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	2,307	32,910	35,955	868,043
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>2,307</u>	<u>32,910</u>	<u>35,955</u>	<u>868,043</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,307	32,910	-	862,043
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	35,955	6,000
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>2,307</u>	<u>32,910</u>	<u>35,955</u>	<u>868,043</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
8911 Transfers Out (Use)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	480 After School Program	481 Locally Funded SRF	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 4,084,912	\$ 2,754,913	\$ 130,152	\$ 11,530,010
-	27	-	-	-	979,526
-	-	-	-	-	11,964,423
-	27	4,084,912	2,754,913	130,152	24,473,959
6,199	-	1,981,547	-	-	9,194,216
-	27	294,092	-	-	294,119
-	-	11,043	-	-	367,831
-	-	-	-	-	211,369
-	-	799,923	-	-	812,605
-	-	-	-	-	250,263
-	-	-	-	-	120
-	-	2,226	-	-	3,027
-	-	48	-	-	15,254
-	-	17,283	-	-	8,325,963
-	-	432,107	-	-	432,107
-	-	1,598	-	-	1,598
-	-	68,807	-	-	275,915
-	-	93,599	-	-	93,599
-	-	17,419	2,065,000	-	2,123,910
6,199	27	3,719,692	2,065,000	-	22,401,896
(6,199)	-	365,220	689,913	130,152	2,072,063
-	-	-	(400,000)	-	(400,000)
(6,199)	-	365,220	289,913	130,152	1,672,063
6,199	-	2,517,654	872,466	113,131	6,206,372
\$ -	\$ -	\$ 2,882,874	\$ 1,162,379	\$ 243,283	\$ 7,878,435



MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 JUNE 30, 2014

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Fund	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 947	\$ 602	\$ 1,549
Restricted Assets	13,961	-	13,961
Total Assets	<u>14,908</u>	<u>602</u>	<u>15,510</u>
<b>NET POSITION</b>			
Restricted for Scholarships	14,908	602	15,510
Total Net Position	<u>\$ 14,908</u>	<u>\$ 602</u>	<u>\$ 15,510</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

	828 Virginia Dodson Finch Trust Fund	829 Avery Dowell Library Fund	Total Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Local and Intermediate Sources	\$ 5	\$ 117	\$ 122
Total Additions	<u>5</u>	<u>117</u>	<u>122</u>
<b>DEDUCTIONS:</b>			
Other Operating Costs	<u>265</u>	<u>-</u>	<u>265</u>
Total Deductions	<u>265</u>	<u>-</u>	<u>265</u>
Change in Net Position	(260)	117	(143)
Total Net Position - July 1 (Beginning)	<u>15,168</u>	<u>485</u>	<u>15,653</u>
Total Net Position - June 30 (Ending)	<u>\$ 14,908</u>	<u>\$ 602</u>	<u>\$ 15,510</u>

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**REQUIRED T.E.A. STATEMENTS**

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2014

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
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	1.040000	0.500000	8,942,913,766
2011	1.040000	0.488000	8,876,867,670
2012	1.040000	0.500000	8,787,242,338
2013	1.040000	0.500000	9,018,644,416
2014 (School year under audit)	1.170000	0.500000	9,536,791,078
1000 TOTALS			

(10) Beginning Balance 7/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2014
\$ 451,123	\$ -	\$ 24,870	\$ 7,860	\$ (75,209)	\$ 343,184
238,302	-	9,633	3,211	(18,559)	206,899
219,733	-	10,263	3,529	(18,403)	187,538
58,204	-	13,408	6,150	(10,902)	27,744
251,766	-	73,986	33,934	99,043	242,889
317,029	-	102,032	49,054	94,786	260,729
363,396	-	112,834	52,945	86,291	283,908
476,407	-	142,823	68,665	70,698	335,617
1,441,535	-	520,696	250,334	(272,266)	398,239
-	159,264,411	110,037,711	47,024,660	(378,092)	1,823,948
<u>\$ 3,817,495</u>	<u>\$ 159,264,411</u>	<u>\$ 111,048,256</u>	<u>\$ 47,500,342</u>	<u>\$ (422,613)</u>	<u>\$ 4,110,695</u>

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2014

**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	\$ -	\$ -	\$ 362,065	\$ 2,681,789	\$ -	\$ -	\$ 3,043,854
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	233,829	-	-	-	-	-	233,829
6212	Audit Services	-	-	-	43,000	-	-	43,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,029,012	-	-	-	-	1,029,012
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	264,628	-	-	264,628
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	43,469	-	-	43,469
6240	Contr. Maint. and Repair	-	-	-	-	209,367	-	209,367
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	34,847	-	-	34,847
6290	Miscellaneous Contr.	-	-	170	42,620	-	-	42,790
6320	Textbooks and Reading	-	-	756	4,152	-	-	4,908
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	265	-	994	87,143	-	-	88,402
6410	Travel, Subsistence, Stipends	14,785	-	3,377	32,875	-	-	51,037
6420	Ins. and Bonding Costs	-	-	-	81,960	-	-	81,960
6430	Election Costs	53,666	-	-	-	-	-	53,666
6490	Miscellaneous Operating	17,853	-	15,343	48,007	-	-	81,203
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 320,398	\$ 1,029,012	\$ 382,705	\$ 3,364,490	\$ 209,367	\$ -	\$ 5,305,972

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 204,400,229

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 675,385
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	17,863,879
Food (Function 35, 6341 and 6499)	(13)	24,949
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		3,364,490

SubTotal:

21,928,703

Net Allowed Direct Cost

\$ 182,471,526

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 545,292,695
Historical Cost of Building over 50 years old	(16)	\$ 2,268,137
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 13,718,262
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 420,032
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$508,633 in Function 53 expenditures are included in this report on administrative costs.

\$992,896 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 CHILD NUTRITION FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,901,601	\$ 4,901,601	\$ 4,560,033	\$ (341,568)
5800	State Program Revenues	42,197	42,197	40,284	(1,913)
5900	Federal Program Revenues	4,344,132	4,501,362	4,821,766	320,404
5020	Total Revenues	9,287,930	9,445,160	9,422,083	(23,077)
EXPENDITURES:					
0035	Food Services	8,866,734	9,023,964	8,308,680	715,284
0051	Facilities Maintenance and Operations	253,541	253,541	207,108	46,433
6030	Total Expenditures	9,120,275	9,277,505	8,515,788	761,717
1200	Net Change in Fund Balances	167,655	167,655	906,295	738,640
0100	Fund Balance - July 1 (Beginning)	2,683,604	2,683,604	2,683,604	-
3000	Fund Balance - June 30 (Ending)	\$ 2,851,259	\$ 2,851,259	\$ 3,589,899	\$ 738,640



MCKINNEY INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2014

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	\$ 46,725,347	\$ 46,725,347	\$ 47,738,363	\$ 1,013,016
5020	Total Revenues	46,725,347	46,725,347	47,738,363	1,013,016
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	24,030,250	25,270,250	25,270,000	250
0072	Interest on Long Term Debt	22,669,040	21,680,274	21,680,271	3
0073	Bond Issuance Cost and Fees	50,000	50,000	12,558	37,442
6030	Total Expenditures	46,749,290	47,000,524	46,962,829	37,695
1200	Net Change in Fund Balances	(23,943)	(275,177)	775,534	1,050,711
0100	Fund Balance - July 1 (Beginning)	19,288,961	19,288,961	19,288,961	-
3000	Fund Balance - June 30 (Ending)	\$ 19,265,018	\$ 19,013,784	\$ 20,064,495	\$ 1,050,711

**FEDERAL AWARDS SECTION**

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**EVANS, PINGLETON and HOWARD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
8950 GARY BURNS DRIVE, SUITE D  
FRISCO, TEXAS 75034  
972-335-9754/FAX 972-335-9758

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

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McKinney Independent School District, as of and for the year ended June 30, 2014, which collectively comprise the McKinney Independent School District's basic financial statements and have issued our report thereon dated September 12, 2014. 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 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Evans, Pingleton and Howard, PLLC*

September 12, 2014

**EVANS, PINGLETON and HOWARD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
8950 GARY BURNS DRIVE, SUITE D  
FRISCO, TEXAS 75034  
972-335-9754/FAX 972-335-9758

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Members of the Board:

Compliance

We have audited the McKinney Independent School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The 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 the McKinney Independent School District's management. Our responsibility is to express an opinion on the 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 the McKinney Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the McKinney Independent School District's compliance with those requirements.

In our opinion the McKinney Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

The administration of McKinney Independent School District is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 McKinney Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Evans, Pingleton and Howard, PLLC*

September 12, 2014

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

<u>Program</u>	<u>Description</u>						
Type of Report on Financial Statements	Unmodified						
Control Deficiencies	None						
Material Weaknesses Involving Control Deficiencies	None						
Noncompliance Material to the Financial Statements	None						
Type of Report on Compliance with Major Programs	Unmodified						
Findings and Questioned Costs for Federal Awards as Defined in Section.510(a), OMB Circular A-133	None						
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$ 361,773						
Low Risk Auditee Statements	The District was classified as a low risk Auditee in the context of OMB Circular A-133.						
Major Federal Programs	<table border="0" style="width: 100%;"> <tr> <td style="width: 70%;">ESEA, Title I, Part A</td> <td style="text-align: right;">84.010A</td> </tr> <tr> <td>IDEA, Part B, Cluster</td> <td style="text-align: right;">84.027A/84.173A</td> </tr> <tr> <td>Head Start</td> <td style="text-align: right;">93.600</td> </tr> </table>	ESEA, Title I, Part A	84.010A	IDEA, Part B, Cluster	84.027A/84.173A	Head Start	93.600
ESEA, Title I, Part A	84.010A						
IDEA, Part B, Cluster	84.027A/84.173A						
Head Start	93.600						
Pass-through Entity	Texas Education Agency						



MCKINNEY INDEPENDENT SCHOOL DISTRICT  
Schedule of Status of Prior Findings  
For the Year Ended June 30, 2014

<u>Program</u>	<u>Status of Prior Year's Finding/ Noncompliance</u>
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- NONE -

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
Corrective Action Plan  
For the Year Ended June 30, 2014

Program

Corrective Action Plan

- NONE -

Contact person: Mr. Edd Bigbee, Ed.D.  
Chief Financial Officer

MCKINNEY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through Region X ESC</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101057950	\$ 1,785,315
ESEA, Title X, Part C -Homeless Children	84.196A	14-002	141,552
Title III, Part A - English Language Acquisition	84.365A	14671001057950	267,109
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501057950	285,128
Total Passed Through Region X ESC			\$ 2,479,104
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027A	146600010439076600	\$ 3,736,915
*IDEA - Part B, Discretionary	84.027A	146600020439076677	131,399
Total CFDA Number 84.027A			3,868,314
*IDEA - Part B, Preschool	84.173A	146600060439076610	37,669
Total Special Education Cluster (IDEA)			3,905,983
Career and Technical - Basic Grant	84.048A	14420006043907	175,297
*Title I, Part D-2 Delinquent	84.010A	14610103043907	228,993
*Title I, School Improvement	84.010A	14610104043907	32,373
Total CFDA Number 84.010A			261,366
Summer School LEP	84.369A	69551202	40,062
Total Passed Through State Department of Education			\$ 4,382,708
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 6,861,812
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Passed Through Region X ESC</u>			
Head Start	93.600	06CH0391	\$ 375,512
Total Passed Through Region X ESC			\$ 375,512
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 375,512
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through State Dept of Human Services</u>			
*Donated Commodities	10.555		\$ 454,492
Total Passed Through State Dept of Human Services			\$ 454,492
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 1,206,045
*National School Lunch Program	10.555		3,161,229
Total Child Nutrition Cluster			4,367,274
Total Passed Through the State Department of Agriculture			\$ 4,367,274
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 4,821,766
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 12,059,090

\*Clustered Programs

Note 1: School Health and Related Services reimbursements of \$221,398 are recorded as federal program revenue in the general fund, but are not considered awards for the purposes of this schedule.

**MCKINNEY INDEPENDENT SCHOOL DISTRICT**  
Notes to Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2014

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, 2014, 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.