

**MCKINNEY
INDEPENDENT SCHOOL DISTRICT**

Financial Report For the Year Ended

June 30, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Financial Report

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

CERTIFICATE OF BOARD

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

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

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA
RANDY HOWARD, CPA
R. WAYNE NABORS, CPA
ROBIN J. TURNBULL, CPA

MEMBERS
AMERICAN INSTITUTE of CPAs
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAs

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

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

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

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

September 27, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McKinney Independent School District annual financial report presents an **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets (Exhibit A-1) and the Statement of Activities (Exhibit B-1). These

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table A-1
The District's Net Assets

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

Governmental Activities-Changes in Net Assets

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

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

- The cost of all

General Fund Budgetary Highlights

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

**Table A-4
District's Capital Assets
Governmental Activities 1**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Net taxable appraised value used for the 2008 budget preparation has increased approximately \$940 million, which represents an increase of 12.5% from 2007 values. New construction for 2008 amounts to approximately \$489 million, with a net of \$42 million lost to new exemptions.
- A comparison of budgeted general operating fund spending per pupil (based on average daily

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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



BASIC FINANCIAL STATEMENTS

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

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT B-1

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

Primary Government:

GOVERNMENTAL ACTIVITIES:

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

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		101,944,081
DT	Property Taxes, Levied for Debt Service		35,062,776
SF	State Aid - Formula Grants		40,777,551
GC	Grants and Contributions not Restricted		956,937
IE	Investment Earnings		7,173,477
			4,357,291

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

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

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

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

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

	Private Purpose Trust Funds	Agency Fund
ASSETS	14,866	176,389

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

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the District are reported.

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Vacation and Sick Leave

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

6. Long-term Obligations

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

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

7. Fund Equity

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

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Data Control Codes

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

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Deferred revenue:

To remove the current year uncollected tax levy from deferred revenue	\$ 3,324,812
To remove prior year collectible delinquent tax levy receivable from deferred revenue	<u>1,904,525</u>
	<u>5,229,337</u>

Long-term debt:

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

Capital assets:

Disposal of capital assets	<u>(176,920)</u>
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Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>(1,567,583)</u>
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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

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

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

Exhibit C-4 provides a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

A. Budgetary Data (continued)

3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was properly amended throughout the year by the Board of Trustees.

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

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

B. Encumbrance Accounting

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

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

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MCKINNEY INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

at and for the

Year Ended June 30, 2007

-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District investments are with the Texas Local Government Investment Pool ("TexPool"), and the TexStar Investment Pool ("TexStar"). The pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The District is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's. The credit quality rating for TexStar at year end was Aaa by Moody's Investor Service.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the District's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. The District is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The District is not exposed to concentration of credit risk.

The District's temporary investments at June 30, 2007, were as follows:

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

-continued-

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

B. Property Taxes

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

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

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

C. Due From Other Governments

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets

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

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

Depreciation expense was charged to governmental functions as follows:

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

E. Construction Commitments

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

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

F. Loans Payable

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Bonds Payable

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

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

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

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 5 OTHER INFORMATION (continued)

C. Revenues from Local and Intermediate Sources

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

Revenue	Service	General	Special Revenue	Debt Service	Capital Projects	Private Purpose
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MCKINNEY INDEPENDENT SCHOOL DISTRICT
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MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
at and for the
Year Ended June 30, 2007
-continued-

NOTE 5 OTHER INFORMATION (continued)

H. Subsequent Event

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

REQUIRED SUPPLEMENTAL INFORMATION

COMBINING STATEMENTS

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

Control

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

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

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

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

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

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

461 Campus Activity Funds	480 After School Day Care Program	Total Nonmajor Governmental Funds
\$ 1,368,676	\$ 17,709	\$ 2,061,356
-	-	1,943,906
452	3,630	25,020
<u>\$ 1,369,128</u>	<u>\$ 21,339</u>	<u>\$ 4,030,282</u>

\$ -	\$ -	\$ -
18,569	-	250,213
48,201	21,339	108,224
<u>66,770</u>	<u>21,339</u>	<u>978,916</u>

- - 783,377

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

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

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

	262	263	269	272
Data	Title II, D	Title III, A	Title V, Pt.A	Medicaid
Control	Education	English Lang.	Innovative	Admin. Claim
Codes	Technology	Acquisition	Programs	MAC

REVENUES:

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

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

	418	423	429428	429
Employee		HB-1	Excellence	Other State
Health		High School	Award	Special
Insurance		Allotment	Program	Revenue Funds

REVENUES:



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

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

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

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REQUIRED T.E.A. SCHEDULES

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

Last 10 Years	Tax Rates		Value for School Tax Purposes
	Maintenance	Debt Service	

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

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

UNAUDITED

1	Total General Fund Balance as of 6/30/07 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 49,666,660
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$	██████████
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,059,486	
4	Estimated amount needed to cover fall cash flow deficits in the Generm/3390 Tzall cash flow deficits in the		

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
	REVENUES:			
5700 Total Local and Intermediate Sources	\$ 35,592,265	\$ 35,592,265	\$ 36,335,710	\$ 743,445
5800 State Program Revenues	1,018,241	1,018,241	1,198,186	179,945
5020 Total Revenues	36,610,506	36,610,506	37,533,896	923,390
EXPENDITURES:				
Debt Service:	16,151,860	16,151,860	16,151,860	-

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FEDERAL AWARDS SECTION

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PINGLETON, HOWARD & COMPANY, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 148

FRISCO, TEXAS 75034

972-335-9754/FAX 972-335-9758

TOM W. PINGLETON, CPA
RANDY HOWARD, CPA
R. WAYNE NABORS, CPA
ROBIN J. TURNBULL, CPA

MEMBERS
AMERICAN INSTITUTE of CPAs
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAs

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

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the basic financial statements of McKinney Independent School District, McKinney,

Board of School Trustees
Page Two

This report is intended for the information of th

Internal Control Over Compliance

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

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

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

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

September 27, 2007

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Program _____

Description _____

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
For the Year Ended June 30, 2007

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2007

Program _____

Corrective Action Plan _____

- NONE -

Contact person: Mr. Steve Fortenberry
Chief Financial Officer

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

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Collin County Community College</u>			
Vocational Ed. Tech Prep	84.243		\$ 104,820
Total Passed Through Collin County Community College			\$ 104,820
<u>Passed Through Region X ESC</u>			
ESEA, Title I, Part C - Migratory Children	84.011		\$ 15,619
Total Passed Through Region X ESC			\$ 15,619
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	7610101043907	\$ 1,451,359
IDEA - Part B, Formula	84.027	7660001043907	2,615,628
IDEA - Part B, Discretionary	84.027	7660006043907	171,281
Total CFDA Number 84.027			2,786,909