Financial Report For the Year Ended

June 30, 2010

Financial Report For the Year Ended June 30, 2010

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CERTIFICATE OF BOARD

McKinney Independent School District	Collin	043-907
Name of School District	County	Co Dist. Number
We, the undersigned, certify that the attached finanteviewed and (X) approved () disapproved for the y of School Trustees of such school district on the 26tl	ear ended June 30, 201	
Signature on File Signature of Board Secretary	Signature on F Signature of Bo	
If the auditor's report was disapproved the reason(s) therefore is/are (atta	ch list if necessary):



PINGLETON, HOWARD & COMPANY, P. C. CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANTS P. O. BOX 148 FRISCO, TEXAS 75034 972-335-9754/FAX 972-335-9758 Board of Trustees Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the T.E.A. required schedules listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements and the T.E.A. required schedules (except for Exhibit G-3, the Fund Balance and Cash Flow Calculation Worksheet, which is marked UNAUDITED and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the McKinney Independent School District annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2010. Please read in conjunction with the District's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Some funds are required by State law and bond covenants.

Other funds are established to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are reported in governmental funds. The funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances at the end of the fiscal period. The governmental funds statements provide a detailed, short-term view of the District's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in reconciliation narratives following each of the fund financial statements. (Exhibits C-2 and C-4)

Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets, Exhibits D-1 and D-2 respectively. These resources are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purpose.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$83,690,458 on June 30, 2010. (See Table A-1).

Table A-2 Changes in Net Assets Governmental Activities

2010 2009 Percentage Change

Revenues

Governmental Activities-Changes in Net Assets

Investment earnings decreased as interest rates declined.

Operating grants and contributions increased due to the award of American Recovery and Reinvestment Act (ARRA) funds.

Contracted instructional services between public schools decreased as the responsibilities as primary agent for JJAEP was transferred from the district to Collin County.

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

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

Table A-3
Net Cost of Selected District Functions

Total Cost of Services

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.

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

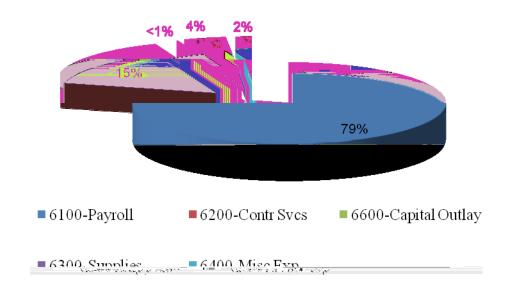
Moody's Investor Services "Aa3" Standard & Poor's "AA"

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Net taxable appraised value used for the 2011 budget preparation has decreased approximately \$57.0

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

2010-2011 Percent of General Fund Budget by Object



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

Historic Tax Rate Comparison



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BASIC FINANCIAL STATEMENTS

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Net (Expense)
Revenue and
Changes in Net
Assets

Data		Program Re	venues	Changes in Net Assets
Control	1	3	4	6
			Operating	Primary Gov.
Codes		Charges for	Grants and	Governmental
	Expenses	Services	Contributions	Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 136,000,284	\$ 402,632 \$	19,556,312	\$ (116,041,340)
12 Instructional Resources and Media Services	3,963,633	-	122,977	(3,840,656)
13 Curriculum and Staff Development	3,346,669	-	531,065	(2,815,604)
21 Instructional Leadership	3,231,877	-	355,098	(2,876,779)
23 School Leadership	12,407,643	-	567,602	(11,840,041)
31 Guidance, Counseling and Evaluation Services	5,950,626	-	386,602	(5,564,024)
32 Social Work Services	550,000	\-	-	(550,000)
33 Health Services	1,994,847	- \	88,228	(1,906,619)
34 Student (Pupil) Transportation	7,296,047	-		
	8,744,775		3,519,302	(551,016)

MCKINNEY INDEPENDENT SCHOOL DISTRICT BALANCE SHEET GOVERNMENTAL FUNDSHEET

	Other Funds		Total Governmental Funds
¢	2 157 000	φ	100 272 929
\$	3,157,009	\$	100,273,838 4,762,425
	-		(142,521)
	2,357,467		16,196,001
	2,337,407		166,295
	3,595		890,016
	-		508,907
	73,695		541,919
\$	5,591,766	\$	123,196,880
		_	
\$	_	\$	148,084
·	1,962,692	·	18,650,649
	-		29,376
	24,023		1,857,410
	84,067		5,353,738
	2,070,782		26,039,257
	_		508,907
	_		17,210,999
	42,599		510,823
	1,143,280		1,143,280
			24.255.424
	-		26,277,426
	-		420,083
	_		48,751,000
	2,335,105	_	2,335,105
	3,520,984		97,157,623
\$	5,591,766	\$	123,196,880

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

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

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

FOR THE YEAR ENDED JUNE 30, 2010

Data Contr	ol	10 General	Γ	50 Debt Service	60 Capital
Codes		Fund		Fund	Projects
	REVENUES:				
5700 5800 5900	Total Local and Intermediate Sources State Program Revenues Federal Program Revenues	\$ 96,838,663 71,414,634 858,337	\$	45,137,334	\$ 205,789
5020	Total Revenues	 169,111,634		45,137,334	 205,789
	EXPENDITURES:				
C	Current:				
0011	Instruction	101,696,672		-	6,660,336
0012	Instructional Resources and Media Services	3,231,779		-	-
0013	Curriculum and Instructional Staff Development	2,870,046		-	-
0021	Instructional Leadership	2,986,907		-	-
0023	School Leadership	11,275,073		-	-
0031	Guidance, Counseling and Evaluation Services	5,806,153		-	-
0032	Social Work Services	550,000		-	-
0033	Health Services	1,985,386		-	-
0034	Student (Pupil) Transportation	7,232,121		-	-
0035	Food Services	-		-	-
0036	Extracurricular Activities	5,528,895		-	-
0041	General Administration	4,395,250		-	-
0051	Facilities Maintenance and Operations	17,036,960		-	-
0052	Security and Monitoring Services	573,833		-	-
0053	Data Processing Services	2,905,897		-	-
0061	Community Services	183,370		-	-
Γ	Debt Service:				
0071	Debt Service - Principal on Long Term Debt	-		22,195,000	-
0072	Debt Service - Interest on Long Term Debt	-		21,506,418	-
		_			

		Total
	Other	Governmental
	Funds	Funds
_	Tunus	Tunds
\$	11,313,688	\$ 153,495,474
Ψ	1,023,522	72,438,156
	18,613,806	19,472,143
_	10,013,000	19,472,143
	30,951,016	245,405,773
	16,749,054	125,106,062
	265,461	3,497,240
	476,594	3,346,640
	244,970	3,231,877
	868,726	12,143,799
	138,813	5,944,966
	130,013	
	-	550,000
		1,985,386
	31,804	7,263,925
	8,027,565	8,027,565
	202,353	5,731,248
	6,372	4,401,622
	230,607	17,267,567
	85,539	659,372
	2,800	2,908,697
	3,084,852	3,268,222
	-	22,195,000
	-	21,506,418
	-	164,987
	-	15,967,808
	-	138,669
_	-	874,047
_	30,415,510	266,181,117
_	535,506	(20,775,344)
		20.040.001
	-	30,948,001
	-	838,944
	-	2,935,995
	(838,944)	(838,944)
	-	(34,062,440)
	(838,944)	(178,444)
	(303,438)	(20,953,788)
	3,824,422	118,111,411
\$	3,520,984	\$ 97,157,623

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MCKINNEY INDEPENDENT SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010

Total Net Change in Fund Balances - Governmental Funds	\$ (20,953,788)
Current year capital outlays of \$14,615,015 and long-term debt principal payments of \$22,195,000 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net assets.	36,810,015
Accrued interest payable on long-term debt is not reflected on the fund financial statements, but is shown on the government-wide financial statements. The effect of showing accrued interest payable is to decrease net assets.	(146,082)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(13,652,320)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.	68,815
Change in Net Assets of Governmental Activities	\$ 2,126,640

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

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

MCKINNEY INDEPENDENT SCHOOL DISTRICT STATEMENT OF CHANGES IN NET ASSETS FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Private Purpose
	Trust Funds
DDITIONS:	
Local and Intermediate Sources	\$ 69
Total Additions	69
Change in Net Assets	69
Total Net Assets - July 1 (Beginning)	15,115
Total Net Assets - June 30 (Ending)	\$ 15,184

Notes to the Financial Statements at and for the Year Ended June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported bfo20.4699 551D.0007 Tc.0687 Tw6[to crernm)4.21 reves.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Due From (To) Other Funds

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- E. Assets, Liabilities, and Net Assets or Equity (continued)
 - 9. Data Control Codes

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

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

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATE-MENTS

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

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

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

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

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

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

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment o((nfd.5(h)1.3(e

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

NOTE 4 <u>DETAILED NOTES ON ALL FUNDS</u> (continued)

A. Deposits and Investments (continued)

Investment type:
TexStar investment pool
State Treasurer's investment pool
Certificate of Deposit
Total

Fair Value \$ 52,983,876 34,300,361 15,000,000 \$ 102,284,237

B. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the period following the October 1 levy date. The assessed value of the property tax roll on August 1, 2009, upon which the levy for the 2009-10 fiscal period was based, was \$8,858,146,057. The roll was subsequently increased to a period end assessed value of \$9,028,810,002. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs after June 30.

The tax rates assessed for the period ended June 30, 2010, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for the total of \$1.54 per \$100 valuation.

Total tax collections for the year ended June 30, 2010, were 100% of the period end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,247,198 and \$1,372,706 for the General and Debt Service Funds, respectively.

C. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2010, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

C. Due From Other Governments (continued)

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

Notes to the Financial Statements at and for the

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

F. Bonds Payable (continued)

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

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

Year Ending			Total
<u>June 30,</u>	<u>Principal</u>	Interest	Requirements
2011	\$ 22,680,000	20,826,777	43,506,777
2012	23,335,000	20,070,489	43,405,489
2013	23,590,000	19,199,301	42,789,301
2014	24,690,000	18,167,374	42,857,374
2015	25,035,000	17,041,741	42,076,741
2016-2020	130,215,000	66,282,976	196,497,976
2021-2025	97,275,000	36,588,184	133,863,184
2026-2030	72,675,000	17,376,169	90,051,169
2031-2034	27,510,000	2,492,787	30,002,787
T -4 -1	Ф 447 005 000	040 045 700	005 050 700
Total	\$ <u>447,005,000</u>	<u>218,045,798</u>	<u>665,050,798</u>

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2010.

G. Defeasance of Debt

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

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (continued)

G. Defeasance of Debt (continued)

As a result of the advance refunding, the District increased its total debt service requirements by \$4,823,666, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt)

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

NOTE 5 OTHER INFORMATION (continued)

E. Health Care Coverage

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

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

F. Pension Plan Obligations

1. Teacher Retirement System of Texas

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

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

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

NOTE 5 OTHER INFORMATION (continued)

F. Pension Plan Obligations (continued)

1. Teacher Retirement System of Texas (continued)

of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ended June 30, 2008, 2009 and 2010 were \$5,113,012, \$5,816,642, and \$5,988,052, respectively. The District paid additional state contributions for the years ended June 30, 2008, 2009 and 2010 in the amount of \$1,640,148, \$1,855,111, and \$1,951,261, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

2. Teacher/Employee Recruitment and Retention Program Trust

Plan Description - The District contributes to the Teacher/Employee Recruitment and Retention Program Trust. The Trust is a defined contribution retirement plan. The Trust's annual financial report and other required disclosure information are available by writing the TERRP Plan Administrator, JEM Resource Partners, 4201 Bee Caves Road, Suite C-101, Austin, Texas 78746.

Funding Policy - Under the plan provisions, the District contributes 100% of plan members contributions to their 403(b) or 457 plan, up to one-half of one percent of the plan member's gross annual compensation. District contributions for the year ended June 30, 2010 were \$160,069. Plan members are 100% vested in their account after attaining five credited years of participation in the plan. Upon meeting the requirements of "qualification for unreduced retirement" in accordance with the Teacher Retirement System of Texas, obtaining normal retirement age, or upon death or permanent disability, a plan member shall be 100% vested regardless of years of service.

G. Retiree Health Plan

Plan Description - The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas.

TRS-Care Retired Plan provides health care coverage for certain persons 3,012,xas, IEi5(cco)de. d-7(-)-5(e)-

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

NOTE 5 OTHER INFORMATION (continued)

G. Retiree Health Plan (continued)

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active

REQUIRED SUPPLEMENTAL INFORMATION

MCKINNEY INDEPENDENT SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2010

Data						tual Amounts	ance With
Control		Budgeted Amounts				AAP BASIS)	al Budget sitive or
Codes				Final			(egative)
REVENUES:							
5700 Total Local and Intermediate Sources 5800 State Program Revenues 5900 Federal Program Revenues	\$	95,395,423 79,094,544 320,000	\$	96,600,586 70,839,766 880,000	\$	96,838,663 71,414,634 858,337	\$ 238,077 574,868 (21,663)
5020 Total Revenues		174,809,967		168,320,352		169,111,634	791,282
EXPENDITURES:							
Current:							
0011 Instruction		109,145,294		103,878,818		101,696,672	2,182,146
0012 Instructional Resources and Media Services		3,314,630		3,298,972		3,231,779	67,193
0013 Curriculum and Instructional Staff Development		3,144,525		3,250,285		2,870,046	380,239
0021 Instructional Leadership		2,872,629		2,990,815		2,986,907	3,908
0023 School Leadership		11,369,088		11,471,073		11,275,073	196,000
0031 Guidance, Counseling and Evaluation Services		5,747,233		5,962,996		5,806,153	156,843
0032 Social Work Services		391,750		550,000		550,000	-
0033 Health Services		2,043,745		2,047,856		1,985,386	62,470
0034 Student (Pupil) Transportation		7,287,778		7,306,224		7,232,121	74,103
0036 Extracurricular Activities		5,756,597		5,735,816		5,528,895	206,921
0041 General Administration		4,369,099		4,587,796		4,395,250	192,546
0051 Facilities Maintenance and Operations		18,461,167		18,433,286		17,036,960	1,396,326
0052 Security and Monitoring Services		670,759		696,012		573,833	122,179
0053 Data Processing Services		2,909,096		2,916,715		2,905,897	10,818
0061 Community Services		209,997		227,008		183,370	43,638
Capital Outlay:							
0081 Facilities Acquisition and Construction		10,000		12,100		12,015	85
Intergovernmental:							
0095 Payments to Juvenile Justice Alternative Ed. Prg.		450,000		185,000		138,669	46,331
,		947,000		875,409		874,047	1,362

COMBINING STATEMENTS

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

Data		
Control		
Codes		

	284		285		289		385		392		394		397		399
	A, Pt. B		SEA I,A	Other Federal Visually Non-Ed. Life		•		•					vestment		
	RRA		nproving		pecial		Impaired		mmunity		Skills Placement			Capital	
Pre	school	Bas	ic Program	Revei	nue Funds		SSVI	Base	ed Support		Program	I	ncentives		Funds
\$	-	\$	(38,140)	\$	9,238	\$	-	\$	(19,571)	\$	(2,870)	\$	55,688	\$	-
	-		54,809		-		-		23,616		2,870		-		-
	-		-		-		-		-		-		-		-
	-		3,102		-		-		-		-		19,141		-
\$	-	\$	19,771	\$	9,238	\$	-	\$	4,045	\$		\$	74,829	\$	-
						_				_					
\$	-	\$	19,691	\$	-	\$	-	\$	4,045	\$	-	\$	-	\$	-
	-		80		-		-		-		-		-		-
	-		-		9,238		-		-		-		74,829		-
	_		19,771		9,238		_		4,045		_		74,829		_
		_				_				_		_			
	-		-		-		-		-		-		-		-
	-		-		-		-		-		-		-		-
	-		-		-		-				-		-		-
	-						_								-
\$		\$	19,771	\$	9,238	\$		\$	4,045	\$		\$	74,829	\$	
Ψ		· —		Ψ ====		Ψ ===		Ψ		Ψ		Ψ		Ψ	

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUN	NE 30, 2010	
	404	

Data Contro Codes	ol .	St St	404 tudent access itiative		411 chnology llotment		428 High School Ilotment	;	429 ther State Special enue Funds
1110	ASSETS Cash and Cash Equivalents	\$	(34,406)	\$	570,585	\$	-	\$	-
	Receivables ft6sO8ther SGovernme6471her SGovernme6	6471he	rS6454406F	1 11.	6d:R202821	11.00	Tf 0Spec	ial	-

 461		480	Total			
Campus		After	Nonmajor			
Activity		School	Go	vernmental		
Funds		Program	Funds			
\$ 1,734,508	\$	44,909	\$	3,157,009		
-		-		2,357,467		
-		-		3,595		
19,253		23,346		73,695		
\$ 1,753,761	\$	68,255	\$	5,591,766		
\$ 6,750		-	\$	1,962,692		

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

204	205	206	211
ESEA Title IV	Head	ESEA	ESEA I, A
Safe & Drug	Start	Title X, Pt.C	Improving
Free Schools		Homeless	Basic Program

Tf 0 T72

212	224	225	226	255	262
ESEA Title I	IDEA	IDEA	IDEA		Title II, D
Part C	Part B	Part B	Part B		Education
Migrant	Formula	Preschool	Discretionary		Technology

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

			263		266		280		283
Data		Tit	le III, A	Ti	itle XIV	ESE	EA, X, C	ID	EA, Pt. B
Contro	1	Engl	ish Lang.	AR	RA State	Α	RRA		ARRA
Codes		Acc	luisition	Sta	bilization	Но	omeless]	Formula
	REVENUES:								
5700	Total Local and Intermediate Sources	\$	-	\$	-	\$	-	\$	-
5800	State Program Revenues		-		-		-		-
			276,294		6,620,812		54,357		1,903,559
5020	Total Revenues		276,294		6,620,812		54,357		1,903,559

EXPENDITURES:

284	285	289	385	392	394	397	399
IDEA, Pt. B	ESEA I,A	Other Federal	Visually	Non-Ed.	Life	Advanced	Investment
ARRA	Improving	Special	Impaired	Community	Skills	Placement	Capital
Preschool	Basic Program	Revenue Funds	SSVI		Program	Incentives	Funds

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

			404		411	428		4	29
Data		9	Student	Tec	hnology	High		Othe	r State
Contro	ıl	S	Success		lotment	Schoo		Sp	ecial
Codes		I	nitiative			Allotmo	ent	_	ue Funds
	REVENUES:								
5700	Total Local and Intermediate Sources	\$	-	\$	-	\$	-	\$	-
5800	State Program Revenues		151,482		666,549		-		333
5900	Federal Program Revenues		-				-		-
5020	Total Revenues		151,482		666,549		-		333
	EXPENDITURES:								
C	Current:								
0011	Instruction		88,082		540,609		-		-
0012	Instructional Resources and Media Services		-		-		-		333
0013	Curriculum and Instructional Staff Development		63,400		-		-		-
0021	Instructional Leadership		-		-		-		-
0023	School Leadership		-		-		-		-
0031	Guidance, Counseling and Evaluation Services		-		-		-		-
0034	Student (Pupil) Transportation		-		-		-		-
0035	Food Services		-		-		-		-
0036	Extracurricular Activities		-		-		-		-
0041	General Administration		-		-		-		-
0051	Facilities Maintenance and Operations		-		-		-		-
0052	Security and Monitoring Services		-		-		-		-
0053	Data Processing Services		-		-		-		-
0061	Community Services		-		-		-		-

	461		480		Total
	Campus		After		Nonmajor
	Activity		School	G	overnmental
	Funds		Program		Funds
\$	3,591,829	\$	3,047,402	\$	11,313,688
_	-	-	-	-	1,023,522
	-		_		18,613,806
	3,591,829		3,047,402		30,951,016
_	3,371,027	_		_	
	1,869,637		-		16,749,054
	265,128		-		265,461
	7,128		49,781		476,594
	-		-		244,970
	791,697		-		868,726
	-		-		138,813
	189		-		31,804
	-		-		8,027,565
	202,353		-		202,353
	6,372		-		6,372
	27,969		2,638		230,607
	81,822		-		85,539
	2,800		-		2,800
	133,592		2,841,391		3,084,852
	3,388,687		2,893,810		30,415,510
	203,142		153,592	_	535,506
	-		-		(838,944)
	-		-		(838,944)
	203,142		153,592		(303,438)
	1,533,973		(85,870)		3,824,422
\$	1,737,115	\$	67,722	\$	3,520,984

MCKINNEY INDEPENDENT SCHOOL DISTRICT COMBINING STATEMENT OF NET ASSETS PRIVATE PURPOSE TRUST FUNDS

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.,,	יונט	112	.)\		~	() [. ()

		828 Virginia Dodson Finch		829 Avery Dowell Library		Total Private	
						ırpose	
	Trus	st Fund	Trust Fund		Trust Funds		
ASSETS Current Assets:							
Cash and Cash Equivalents	\$	15,117	\$	67	\$	15,184	
Total Assets		15,117		67		15,184	
NET ASSETS							
		15,117		67			

EXHIBIT F-4

MCKINNEY INDEPENDENT SCHOOL DISTRICT

FOR THE YEAR ENDED JUNE 30, 2010

Data	Virginia	
.ibrary51w 2S ւՏօրեր ֆի Զաջy-97 197 -16 r	refQBT100100Tm/F11351w26 1D0ds\$\$\$ 7F iln2h Td(Libr āri))fāj? 7T6.010	00 Tg 72 -48 672 -103 135j278 0.1 1 1 rg 72 -170 41
Codes	Trust Fund	

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REQUIRED T.E.A. SCHEDULES

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

	(1)	(2)	Ass	(3) essed/Appraised
ast 10 Years	Tax I	Tax Rates		
	Maintenance	Debt Service		alue for School Fax Purposes
001 and prior years	Various	Various	\$	Various
002	1.405000	0.380000		4,299,175,813
003	1.465000	0.480000		5,121,126,520
004	1.500000	0.480000		5,448,114,091
005	1.500000	0.500000		5,958,317,700
006	1.500000	0.500000		6,623,153,750
007	1.370000	0.471000		7,457,875,177
008	1.040000	0.477000		8,417,974,951
009	1.040000	0.477000		8,935,038,695
Olo (School year under audit)	1.040000	0.500000		8,942,913,766
000 TOTALS				

MCKINNEY INDEPENDENT SCHOOL DISTRICT FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET FOR THE YEAR ENDED JUNE 30, 2010

UNAUDITED

1	Total General Fund Balance as of 6/30/10 (Exhibit C-1 object 3000 for the General Fund Only)	\$	50,148,214
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s \$ 977,12 for the General Fund Only)	31	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only) 420,05	83	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	72	
5	Estimate of two month's average cash disbursements during the fiscal year.	36	
6	Estimate of delayed payments from state sources (58xx).		
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	48	
8	Estimate of delayed payments from federal sources (59xx) 1,525,94	45	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		
10	Adjustment to meet Board Policy -	_	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+		74,268,515
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	\$	(24,120,301)

MCKINNEY INDEPENDENT SCHOOL DISTRICT BUDGETARY COMPARISON SCHEDULE DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2010

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

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FEDERAL AWARDS SECTION

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Board of School Trustees Page Two

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

Compliance

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

This report is intended for the information of the District's trustees, the audit committee, the admin-

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 WHITNEY YOUNTS, CPA MEMBERS

AMERICAN INSTITUTE of CPAS
AICPA DIVISION for CPA FIRMS
TEXAS SOCIETY of CPAS

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees

McKinney Independent School District

1 Duvall Street

McKinney, Texas 75069

Members of the Board:

Compliance

We have audited the compliance of the McKinney Independent School District, McKinney, Texas with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. McKinney Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McKinney Independent School District's management. Our responsibility is to express an opinion on McKinney Independent School District's compliance based on our audit.

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

In our opinion McKinney Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Board of School Trustees

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2010

Program	Description
Type of Report on Financial Statements	Unqualified
Control Deficiencies	None
Material Weaknesses Involving Control Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Schedule of Status of Prior Findings For the Year Ended June 30, 2010

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

- NONE -

MCKINNEY INDEPENDENT SCHOOL DISTRICT

Corrective Action Plan For the Year Ended June 30, 2010

Program	Corrective Action Plan
-	
	- NONE -

Contact person: Mr. Steve Fortenberry Chief Financial Officer

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

(1)	(2)	(3)		(4)
FEDERAL GRANTOR/	Federal	Pass-Through		
PASS-THROUGH GRANTOR/	CFDA	Entity Identifying	Fying Federal	
PROGRAM or CLUSTER TITLE	Number	Number	Exp	enditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through Region X ESC				
ESEA, Title I, Part C - Migratory Children	84.011A	10615001057950	\$	4,386
ESEA, Title X, Pt. C - ARRA Education for Homeless ESEA, Title X, Part C -Homeless Children	84.387A 84.387A	A09-018 00-037		55,538 87,934
Total CFDA Number 84.387A	04.30711	00 037		143,472
ESEA, Title IV, Pt. A - Safe and Drug-Free School	84.186A	10691001057950		40,522
Title III, Part A - English Language Acquisition	84.365A	10671001057950		276,294
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501057950		460,988
	84.389A	10551001057950		225,742
Total Passed Through Region X ESC			\$	1,151,404

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

(1)	(2)	(3)		(4)
FEDERAL GRANTOR/	Federal	Pass-Through		
PASS-THROUGH GRANTOR/	CFDA	Entity Identifying	Federal	
PROGRAM or CLUSTER TITLE	Number Number		Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Texas Dept of Human Services				
Donated Commodities	10.550		\$	298,689
Total Passed Through Texas Dept of Human Services			\$	298,689
Passed Through the State Department of Agriculture				
National School Breakfast & Lunch Program	10.555		\$	3,248,485
NSLP Equipment Assistance Grant Watershed Protection and Flood Control	10.579 10.904			16,883 2,810
Total Passed Through the State Department of Agriculture	10.704		<u> </u>	3,268,178
			\$	
TOTAL DEPARTMENT OF AGRICULTURE			<u> </u>	3,566,867
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$	18,765,930

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