



June 23, 2025

To the Board of Trustees of
McKinney Independent School District
C/O Ms. Marlene Harbeson
#1 Duvall Street
McKinney, Tx. 75069

To the Board of Trustees and Management of **McKinney Independent School District**:

The following represents our understanding of the services we will provide to **McKinney Independent School District** ("the District").

You have requested that we perform the required performance audit of the District in accordance with the requirements of Texas Education Code, Section 11.184.

Auditor Responsibilities

The objective of the performance audit is to meet the requirements for the Board of Trustees to conduct a performance audit before seeking voter approval to adopt a tax rate for the maintenance and operations of the District in accordance with Texas Education Code, Section 11.184, and the Efficiency Audit Guidelines ("the Guidelines") established by the Legislative Budget Board.

The performance audit will be conducted in accordance with *Generally Accepted Government Auditing Standards* and in accordance with the *Performance Audit standards contained in Government Auditing Standards*.

As part of complying with Texas Education Code, Section 11.184 and the Guidelines, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Management of the District is responsible for establishing and maintaining effective internal control over compliance to meet the requirements for the Guidelines.

Generally Accepted Government Auditing Standards requires that we obtain an understanding of those internal controls that are significant to our audit objectives. Our consideration of internal controls is limited to those controls considered significant to meet the objectives of this performance audit. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. A performance audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under *Government Auditing Standards*. See attached Appendix A for the detailed procedures performed for the performance audit.

Compliance with Laws and Regulations

As previously discussed, in complying with the requirements of the Guidelines, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand they have responsibility:

- a. For complying with the Guidelines.
- b. For the design, implementation, and maintenance of effective internal control over compliance to meet the requirements of the Guidelines.
- c. To provide us with:
 - i. Access to all financial records and related information of which you are aware that is relevant to the compliance of the Guidelines and for the accuracy and completeness of that information
 - ii. Additional information that we may request for the purpose of the performance audit, and
 - iii. Unrestricted access to persons within the District and others from whom we determine it necessary to obtain audit evidence.
- d. For the design, implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others.
- e. For identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that we report.
- f. Assume all management responsibilities relating to the compliance of the Guidelines and objectives of this performance audit.
- g. Responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the performance audit. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

- h. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work.
- i. For the accuracy and completeness of all information provided

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit, including your understanding of your responsibilities as defined in this letter to us in your management representation letter.

Nonattest Services

With respect to any nonattest services we perform, we agree to perform the following:

- Prepare the financial statements, schedule of expenditures of federal awards, and related notes in conformity with U.S. generally accepted accounting principles based on information provided by you.
- Complete the auditee's portion of the Data Collection Form
- Perform certain procedures for the purpose of reviewing the accuracy of fiscal information provided by the District through the Public Education Information Management System (PEIMS), as required by Section 44.008(b) of the Texas Education Code.
- Assistance with preparation of entries in accordance with GASBs 34,75, 68, 87 and 96.
- Maintain depreciation, lease, and SBITA schedules.
- Assistance with entries to record final adjustments to state revenue and recapture, adjust property taxes receivable, record the 60-day collection of property taxes, record certain reclassifications for TEA reporting, adjust the retainage payable, and reclassify deficit cash balances.

We will not assume management responsibilities on behalf of **McKinney Independent School District**. **McKinney Independent School District's** management understands and agrees that any advice or recommendation we may provide in connection with our audit engagement are solely to assist management in performing its responsibilities.

McKinney Independent School District's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) designing, implementing, and maintaining the system of internal control, including the process used to monitor the system of internal control.

Our responsibilities and limitations of the nonattest services are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the services previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities.

Reporting

We will issue a written report upon completion of our performance audit of the District. Our report will be addressed to the governing body of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), to our performance audit report, or if necessary, withdraw from the engagement.

If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Other

If you intend to publish or otherwise reproduce our performance audit report and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we will only provide confidential engagement documentation to you via Eide Bailly's secure portal or other secure methods, and request that you use the same or similar tools in providing information to us. Should you choose not to utilize secure communication applications, you acknowledge that such communication contains a risk of the information being made available to unintended third parties. Similarly, we may communicate with you or your personnel via e-mail or other electronic methods, and you acknowledge that communication in those mediums contains a risk of misdirected or intercepted communications.

Should you provide us with remote access to your information technology environment, including but not limited to your financial reporting system, you agree to (1) assign unique usernames and passwords for use by our personnel in accessing the system and to provide this information in a secure manner; (2) limit access to "read only" to prevent any unintentional deletion or alteration of your data; (3) limit access to the areas of your technology environment necessary to perform the procedures agreed upon; and (4) disable all usernames and passwords provided to us upon the completion of procedures for which access was provided. We agree to only access your technology environment to the extent necessary to perform the identified procedures.

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your website or elsewhere, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Jeromy Stephens is the engagement partner for the performance audit services specified in this letter. The engagement partner's responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the report.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses, administrative charges and a technology fee. Invoices are payable upon presentation. We estimate that our fee for the audit will be between \$13,000 and \$15,000.

The ability to perform and complete our engagement consistent with the estimated fee included above depends upon the quality of your underlying accounting records and the timeliness of your personnel in providing information and responding to our requests. To assist with this process, we will provide you with an itemized request list that identifies the information you will need to prepare and provide in preparation for our engagement, as well as the requested delivery date for those items.

A lack of preparation, including not providing this information in an accurate and timely manner, unanticipated audit adjustments, and/or untimely assistance by your personnel may result in an increase in our fees and/or a delay in the completion of our engagement.

We may be requested to make certain engagement documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional standards. If requested, access to such engagement documentation will be provided under the supervision of Eide Bailly LLP's personnel. Furthermore, upon request, we may provide copies of selected engagement documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such engagement documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

We may use third-party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information accessed by such service provider and any work performed by such service provider. You acknowledge that your information may be disclosed to such service providers, including those outside the United States.

Neither of us may use or disclose the other's confidential information for any purpose except as permitted under this engagement letter or as otherwise necessary for Eide Bailly to provide the services. Your confidential information is defined as any information you provide to us that is not available to the public. Eide Bailly's confidential information includes our engagement documentation for this engagement. Our engagement documentation shall at all times remain the property of Eide Bailly LLP. The confidentiality obligations described in this paragraph shall supersede and replace any and all prior confidentiality and/or nondisclosure agreements (NDAs) between us.

We agree to retain our audit documentation or work papers for a period of at least eight years from the date of our report.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report, and any subsequent review reports to the parties contracting for the audit. Accordingly, we will provide a copy of our most recent peer review report at your request.

MEDIATION

Any disagreement, controversy or claim arising out of or related to any aspect of our services or relationship with you (hereafter a "Dispute") shall, as a precondition to litigation in court, first be submitted to mediation. In mediation, the parties attempt to reach an amicable resolution of the Dispute with the aid of an impartial mediator. Mediation shall begin by service of a written demand.

The mediator will be selected by mutual agreement. If we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA"). Mediation shall be conducted with the parties in person in Abilene, Texas. Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties. Neither party may commence a lawsuit until the mediator declares an impasse.

LIMITED INDEMNITY

Eide Bailly LLP and its partners, affiliates, officers and employees (collectively "Eide Bailly") shall not be responsible for any misstatements in the information provided to us to complete our audit that we may fail to detect as a result of misrepresentations or concealment of information by any of your owners, directors, officers or employees. You shall indemnify and hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees arising from any such misstatement or concealment of information.

If through no fault of Eide Bailly we are named as a party to a dispute between you and a third party, you shall indemnify and hold Eide Bailly harmless against any losses, damages, settlements, judgments, awards, and the costs of litigation (including attorneys' fees) we incur in connection with the dispute.

Eide Bailly shall not be entitled to indemnification under this agreement unless the services were performed in accordance with professional standards in all material respects.

LIMITATION OF LIABILITY

The exclusive remedy available to you for any alleged loss or damages arising from or related to Eide Bailly's services or relationship with you shall be the right to pursue claims for actual damages that are directly caused by Eide Bailly's breach of this agreement or Eide Bailly's violation of applicable professional standards. In no event shall Eide Bailly's aggregate liability to you exceed two times fees paid under this agreement, nor shall Eide Bailly ever be liable to you for incidental, consequential, punitive or exemplary damages, or attorneys' fees.

TIME LIMITATION

You may not bring any legal proceeding against Eide Bailly unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we delivered our report, return, or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the audit. The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of a possible Dispute.

GOVERNING LAW AND VENUE

Any Dispute between us, including any Dispute related to the engagement contemplated by this agreement, shall be governed by Minnesota law. Any unresolved Dispute shall be submitted to a federal or state court located in Minneapolis, Minnesota.

ASSIGNMENTS PROHIBITED

You shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly to any person.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,



Jeromy Stephens
Eide Bailly LLP

RESPONSE:

This letter correctly sets forth the understanding.

Acknowledged and agreed on behalf of the Board of Trustees of **McKinney Independent School District**.

By: _____

Title: _____

Date: _____

Acknowledged and agreed on behalf of management of **McKinney Independent School District**.

By: _____

Title: _____

Date: _____

Appendix A – Efficiency Audit Procedures

I. Peer Districts

- a. Select 5 to 10 peer districts using TEA Snapshot using a combination of attributes such as district size, district type, property wealth, and tax rate.
- b. For each guideline that asks for a peer district comparison, develop a peer district simple average using the same comparison group throughout the audit.
- c. Explain any significant variance from the peer district average.

II. Accountability Rating

- a. Report the overall accountability rating and score for the District and the peer district average score.
- b. Report the accountability rating for each campus level with the District.
- c. List the names of campuses that received an F accountability rating.
- d. List the names of campuses that are required to implement a campus turnaround plan.

III. Financial Rating

- a. Report the School FIRST rating for the District.
- b. For School FIRST rating less than A – Superior, list the indicators not met.

IV. Student Characteristics

- a. Report on student characteristics for the District, its peer districts, and the State average for the following:
 - i. Total students
 - ii. Economically disadvantaged
 - iii. English learners
 - iv. Special education
 - v. Bilingual/ESL education
 - vi. Career and technical education
- b. Report on the attendance rate for the District, its peer districts, and the State average. Provide information to explain any significant variance from the peer district average.
- c. Report the total enrollment number for each of the last 5 school years, the average annual percentage change on the previous 5 years, and the projected next school year.

V. District Revenue

- a. Report the following indicators related to District revenue, its peer district average, and the State average. Explain any significant variance from the peer district average in any category.
 - i. Local M&O Tax (Retained) (excludes debt service and recapture)
 - ii. State
 - iii. Federal
 - iv. Other local and intermediate sources
 - v. Total revenue

VI. District Expenditures

- a. Report the following indicators related to District expenditures, its peer district average, and the State average. Explain any significant variance from the peer district average in any category.
 - i. Instruction
 - ii. Instructional resources and media
 - iii. Curriculum and staff development
 - iv. Instructional leadership
 - v. School leadership
 - vi. Guidance counseling services

Appendix A – Efficiency Audit Procedures

- vii. Social work services
- viii. Health services
- ix. Transportation
- x. Food service operation
- xi. Extracurricular
- xii. General administration
- xiii. Plant maintenance and operations
- xiv. Security and monitoring services
- xv. Data processing services
- xvi. Community services
- xvii. Total operating expenditures

b. Explain the reason for the District's expenditures having exceeded revenues.

VII. District Payroll Expenditure Summary

- a. Report the following indicators for payroll and selected salary expenditures of the District, its peer district average, and the State average. Explain any significant variance from the peer district average in any category.
 - i. Payroll as a percentage of all funds
 - ii. Average teacher salary
 - iii. Average administrative salary
 - iv. Superintendent salary

VIII. Fund Balance

- a. Report on the General Fund operating fund balance, excluding debt service and capital outlay, for the past 5 years and per student for the District and its peer district average. Explain any significant variance from the peer district average.
- b. If the District had a negative fund balance during any of the past 5 years, explain why it occurred, and how the District addressed it.

IX. District Staffing Levels

- a. Report the District's allocation of staff, and student-to-teacher and student-to-total ratios for the District, its peer district average, and the State average. Explain any significant variance from the peer district average. The following staff categories will be utilized:
 - i. Teaching staff
 - ii. Support staff
 - iii. Administrative staff
 - iv. Paraprofessional staff
 - v. Auxiliary staff
 - vi. Students per total staff
 - vii. Students per teaching staff

X. Teacher Turnover Rates

- a. Report on the teacher turnover rate for the District, its peer district average, and the State average. Explain any significant variance from the peer district average

XI. Special Programs

- a. Report on the following programs offered by the District, including the number of students served, percentage of enrolled students served, program budget per student served, program budget as a percentage of the District's budget, total staff for the program, and student-to-staff ratio for the program.

Appendix A – Efficiency Audit Procedures

- i. Special education
- ii. Bilingual education
- iii. Migrant programs
- iv. Gifted and talented programs
- v. Career and technical education
- vi. Athletics and extracurricular activities
- vii. Alternative Education Program/Disciplinary Alternative Education Program
- viii. Juvenile Justice Alternative Education Program

XII. State and Regional Resources

- a. Describe how the District maximizes available resources from state sources and regional education service centers to develop or implement programs or deliver services.

XIII. Reporting

- a. Provide the District's annual external audit report's independent auditor's opinion as required by the Government Auditing Standards.

XIV. Oversight

- a. If applicable, explain the basis of TEA assigning the District a financial-related monitoring/oversight role during the past 3 years.

XV. Budget Process

- a. Report on the following inquiries:
 - i. Does the District's budget planning process include projections for enrollment and staffing?
 - ii. Does the District's budget process include monthly and quarterly reviews to determine the status of annual spending?
 - iii. Does the District use cost allocation procedures to determine campus budgets and cost centers?
 - iv. Does the District analyze educational costs and student needs to determine campus budgets?

XVI. Self-funded Programs

- a. Identify the District's self-funded programs, if any. Analyze whether program revenues are sufficient to cover program costs.

XVII. Staffing

- a. Identify whether District administrators are evaluated annually and, if so, explain how the results inform District operations.

XVIII. Compensation System

- a. Report on the following inquiries:
 - i. Does the District use salary bonuses or merit pay systems? If yes, explain the performance-based systems and the factors used.
 - ii. Do the District's salary ranges include minimum, midpoint, and maximum increments to promote compensation equity based on the employee's education, experience, and other relevant factors?
 - iii. Does the District periodically adjust its compensation structure using verifiable salary survey information, benchmarking, and comparable salary data?
 - iv. Has the District made any internal equity and/or market adjustments to salaries within the past 2 years?

Appendix A – Efficiency Audit Procedures

XIX. Planning

- a. Report on the following inquiries:
 - i. Does the District develop a District Improvement Plan (DIP) annually?
 - ii. Do all campuses in the District develop a Campus Improvement Plan (CIP) annually?
 - iii. Does the District have an active and current facilities master plan? If yes, does the District consider these factors to inform the plan:
 - 1. Does the District use enrollment projections?
 - 2. Does the District analyze facility capacity?
 - 3. Does the District evaluate facility condition?
 - iv. Does the District have an active and current energy management plan?
 - v. Does the District maintain a clearly defined staffing formula for maintenance, custodial, food service, and transportation?

XX. Programs

- a. Report on the following inquiries:
 - i. Does the District have a teacher mentoring program?
 - ii. Are decisions to adopt new programs or discontinue existing programs made based on quantifiable data and research?
 - iii. When adopting new programs, does the District define expected results?
 - iv. Does the District analyze student test results at the District and/or campus level to design, implement, and/or monitor the use of curriculum and instructional programs?
 - v. Does the District modify programs, plan staff development opportunities, or evaluate staff based on analyses of student test results?