



June 22, 2026

#244601

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

This document constitutes a statement of work ("SOW") under the most recently executed Master Services Agreement ("MSA"), made by and between Eide Bailly LLP ("Eide Bailly", "we," "us," and "our") and McKinney Independent School District ("District," "you," "your," or "the entity"). We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services Eide Bailly will provide for the entity as of and for the year ended June 30, 2025.

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

Scope of Audit Services

We will perform the required performance audit of the District in accordance with the compliance requirements of Texas Education Code, Section 11.184.

Audit Objectives

The objectives of our audit are 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*.

Auditor Responsibilities, Procedures, and Limitations

We will conduct our audit in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and with Texas Education Code Section 11.184 and the Guidelines. Those standards require that we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. As part of our audit, we will:

- Identify and assess the risks of material noncompliance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the system of internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards of the Comptroller General of the United States of America*. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected.

In addition, an audit is not designed to detect immaterial noncompliance or violations of laws or governmental regulations that do not have a direct and material effect on compliance. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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 Texas Education Code, Section 11.184, and 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.

Management of the District is responsible for establishing and maintaining effective internal control over compliance to meet the Guideline's requirements and the requirements of Texas Education Code, Section 11.184.

Management agrees they are responsible for the distribution of reports issued in conjunction with this engagement to those charged with governance, entity officials, oversight bodies, or other organizations requiring audits, as applicable.

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.

See attached Appendix A for the detailed procedures performed for the performance audit.

Responsibilities and Limitations Related to Nonattest Services

For all nonattest services we may provide to you, management agrees to assume all management responsibilities 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.

We will provide the following nonattest services:

- Prepare or assist with the preparation of your financial statements and the related notes
- Prepare or assist with the preparation of the schedule of expenditures for federal awards
- Completion of 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

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.

You are also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

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.

Engagement Administration and Other Matters

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. Details of information we expect to need for our audit and the dates required will be provided separately.

You agree to share all facts that may affect relevant compliance requirements , even if you first become aware of those facts after the date of the auditor’s report but before the issuance of our report.

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

Eide Bailly LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business Code. The nature of the services to be provided in conjunction with this engagement are such that non-licensee owners may be involved in performing our services.

Engagement Fees

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

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 will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

Changes in Professional Standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

Termination

The engagement contemplated by this SOW shall terminate upon the earlier of completion of the services described herein or as described in the MSA.

Agreement

We appreciate the opportunity to provide the services described in this SOW under the MSA. This SOW and the MSA constitute the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and Eide Bailly related to audit services. Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit including the terms of our engagement and the parties' respective responsibilities. By signing this Statement of Work, you represent and warrant that you are authorized to sign on behalf of and bind each client and any affiliate identified herein.

Sincerely,



Eide Bailly LLP

AGREED TO AND ACCEPTED:

Name: _____

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
 - vii. Social work services

Appendix A – Efficiency Audit Procedures

- 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?