

**MCLEAN INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**



JOHNSON & SHELDON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**MCLEAN INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
Year Ended June 30, 2023**

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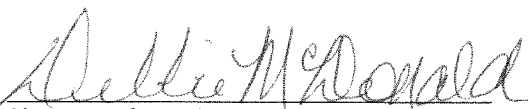
CERTIFICATE OF BOARD


McLean Independent School District
Name of School District

Gray
County

090-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual comprehensive financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended June 30, 2023 at a meeting of the Board of Trustees of such school district on the 16th day of November, 2023.


Signature of Board Secretary


Signature of Board President ~~Vice President~~



JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
McLean Independent School District
McLean, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **McLean Independent School District** (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund; Schedule of the District's Proportionate Share of the Net Pension Liability (TRS); Schedule of District Contributions for Pensions (TRS); Schedule of the District's Proportionate Share of the Net OPEB Liability (TRS); and Schedule of District Contributions for Other Post Employment Benefits (OPEB) (TRS) on pages 5 through 13 and pages 50 through 59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Johnson & Sheldon PLLC

**Johnson & Sheldon, PLLC
Amarillo, Texas
November 16, 2023**



MANAGEMENT'S DISCUSSION AND ANALYSIS



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

In this section of the Annual Financial and Compliance Report, we, the managers of McLean Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$6,568,341 at June 30, 2023.
- The District's governmental funds financial statements reported combined ending fund balance of \$4,407,232. This balance consists of \$4,181,959 in the General Fund of which \$4,161,959 is unassigned and available for spending at the District's discretion and \$20,000 was nonspendable. Restricted fund balance totals \$225,273 and is used by the Debt Service Fund and Non-major Funds.
- For the year ended June 30, 2023, total revenue from all sources was \$3,495,406. Program revenues accounted for \$594,483 of total revenues. General revenues and special items accounted for \$2,900,923.
- The General Fund had \$2,927,955 in revenues, which primarily consisted of state aid and property taxes, \$3,280,986 in expenditures and \$19,662 in net other financing uses which resulted in a deficiency to the fund balance of \$372,693.

USING THIS ANNUAL REPORT

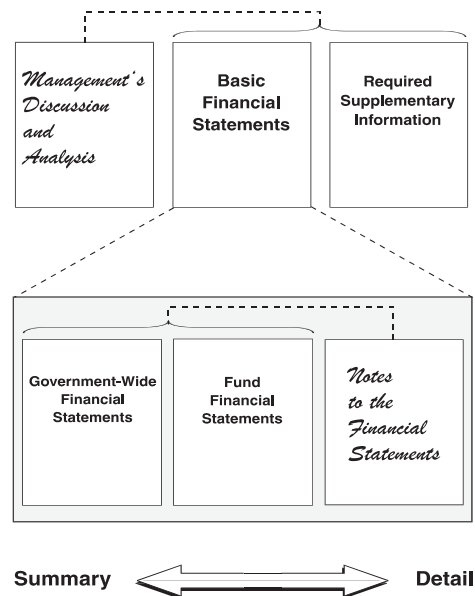
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 14 and 15). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 22) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements. The notes provide additional information that is essential in fully understanding the data provided in the government-wide and fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by Texas Education Agency. The section labeled Required TEA Schedules contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Exhibit I - Required Components of the District's Annual Financial Report



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

USING THIS ANNUAL REPORT (continued)

Exhibit II summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this section explains the structure and contents of each of the statements.

**Exhibit II
Major Features of the District's Government-Wide and Fund Financial Statements**

Type of Statement	Government-Wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units.	The activities of the District that are not proprietary or fiduciary.	Activities of the District which operate similar to private business.	Instances in which the District is the trustee or agent for someone else's resources.
Required financial statements	- Statement of Net Position - Statement of Activities	- Statement of Revenues, Expenditures and Changes in Fund Balances	- Statement of Net Position - Statement of Revenues, Expenditures and Changes in Net Position - Statement of Cash Flows	- Statement of Net Position - Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

USING THIS ANNUAL REPORT (continued)

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in net position. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we present the District with only one kind of activity:

- Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The governmental fund financial statements begin on page 16 and provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental fund uses the following accounting approaches:

- Governmental funds - Most of the District's basic services are reported in governmental funds. These 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 that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

USING THIS ANNUAL REPORT (continued)

Reporting the District's Most Significant Funds (continued)

Fund Financial Statements (continued)

- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position that can be found on pages 20 and 21.

The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 49.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position on pages 20 and 21. We exclude these resources 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 purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's combined net position between fiscal years 2023 and 2022, increased by \$87,449, as can be seen in Exhibit III. The District's net investment in capital assets is \$3,499,416 and includes its investments in capital assets (e.g., land, buildings, equipment, improvements, and construction in progress) less any debt used to acquire those assets that is still outstanding.

The District uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of the District's governmental activities increased from \$6,480,892 to \$6,568,341. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$2,843,652 at June 30, 2023. This increase in governmental net position was the result of four factors. First, the District's governmental funds expenditures exceeded revenues by \$255,345. Second, the District acquired capital assets in the amount of \$419,747. Third, the District recorded depreciation and other expenses not recognized in the amount of \$176,535. Fourth, due to the required recognition of GASB 68 and 75 related to the District's participation in TRS, the District was required to record and disclose its share of the District's net pension liability and some deferred resource outflows and resource inflows related to the District's pension plan.

Exhibit III provides a summary of the Assets, Liabilities and Net Position for governmental activities for the years ended June 30, 2023 and 2022, respectively.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

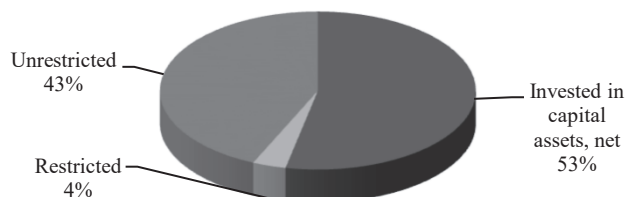
Net Position (continued)

**Exhibit III
The District's Net Position as of June 30, 2023 and 2022**

	Governmental Activities			
	2023	2022	Change	% Change
Assets				
Cash and investments	\$ 4,245,408	\$ 4,667,286	\$ (421,878)	-9.04%
Property taxes, net	92,674	249,867	(157,193)	-62.91%
Accounts receivable	396,863	375,297	21,566	5.75%
Prepayments	20,000	-	20,000	100.00%
Capital assets, net	4,165,162	3,921,950	243,212	6.20%
Total Assets	8,920,107	9,214,400	(294,293)	-3.19%
Deferred outflows				
Deferred outflow related to TRS	721,091	802,364	(81,273)	-10.13%
Total Deferred Outflows	721,091	802,364	(81,273)	-10.13%
Liabilities				
Accounts payable	52,197	194,766	(142,569)	-73.20%
Accrued expenses	201,953	195,702	6,251	3.19%
Unearned revenue	10,565	7,163	3,402	47.49%
Noncurrent liabilities	1,582,465	2,044,945	(462,480)	-22.62%
Total Liabilities	1,847,180	2,442,576	(595,396)	-24.38%
Deferred inflow related to TRS	1,225,677	1,093,296	132,381	12.11%
Net Position				
Invested in capital assets, net	3,499,416	3,070,276	429,140	13.98%
Restricted	225,273	107,925	117,348	108.73%
Unrestricted	2,843,652	3,302,691	(459,039)	-13.90%
Total Net Position	\$ 6,568,341	\$ 6,480,892	\$ 87,449	1.35%

On June 30, 2023, the District's net position had increased by \$87,449, or 1.35%, from June 30, 2022. Unrestricted net position, the part of net position that can be used to finance daily operations of the District, decreased by \$459,039, or 13.90%. Exhibit IV shows the District's allocation of net position as of June 30, 2023.

**Exhibit IV
Net Position Allocation as of June 30, 2023**



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

Exhibit V

The District's Changes in Net Position for the Years Ended June 30, 2023 and 2022

	Governmental Activities			
	2023	2022	Change	% Change
Revenues - Program				
Charges for services	\$ 47,897	\$ 19,154	\$ 28,743	150.06%
Operating grants and contributions	546,586	420,335	126,251	30.04%
Revenues - General				
Taxes - maintenance and operations	1,042,316	816,940	225,376	27.59%
Taxes - interest and sinking	296,126	216,344	79,782	36.88%
State aid - formula grants	1,440,049	1,467,437	(27,388)	-1.87%
Investment earnings	72,921	23,041	49,880	216.48%
Miscellaneous local and intermediate	49,511	19,151	30,360	158.53%
Total Revenues	3,495,406	2,982,402	513,004	17.20%
Expenses				
Instruction	1,805,489	1,673,133	132,356	7.91%
Instructional resources and media	18,242	37,003	(18,761)	-50.70%
Curriculum and staff development	18,870	10,510	8,360	79.54%
School leadership	165,991	187,383	(21,392)	-11.42%
Guidance, counseling and evaluation	86,767	60,691	26,076	42.97%
Health services	570	-	570	100.00%
Student transportation	84,753	99,293	(14,540)	-14.64%
Food services	169,368	146,281	23,087	15.78%
Extracurricular activities	192,081	174,738	17,343	9.93%
General administration	274,021	297,143	(23,122)	-7.78%
Facilities maintenance and operations	429,062	337,270	91,792	27.22%
Security and monitoring services	4,424	5,623	(1,199)	-21.32%
Data processing services	70,768	90,098	(19,330)	-21.45%
Debt service - interest	19,122	31,748	(12,626)	-39.77%
Debt service - issuance costs	806	807	(1)	-0.12%
Payments for shared services	37,998	39,983	(1,985)	-4.96%
Other intergovernmental charges	29,625	23,809	5,816	24.43%
Total Expenses	3,407,957	3,215,513	192,444	5.98%
Increase (Decrease) in Net Position	87,449	(233,111)	320,560	137.51%
Net Position at Beginning of Year	6,480,892	6,714,003	(233,111)	-3.47%
Net Position at End of Year	\$ 6,568,341	\$ 6,480,892	\$ 87,449	1.35%



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Position (continued)

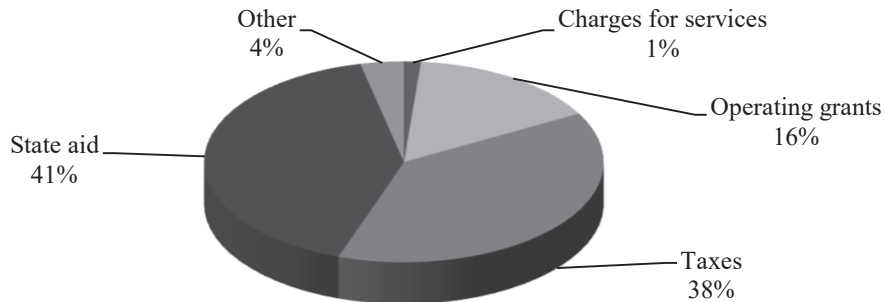
For the year ended June 30, 2023, the District's total revenues increased by \$513,004, or 17.20%, from the prior year mainly driven by an increase in maintenance and operations taxes, primarily the result of an increase in assessed property values.

For the year ended June 30, 2023, the District's total expenses increased by \$192,444, or 5.98%, from the prior year mainly driven by an increase in instructional resources expenses, primarily the result of increased payroll cost in the year ended June 30, 2023.

Other Financial Highlights

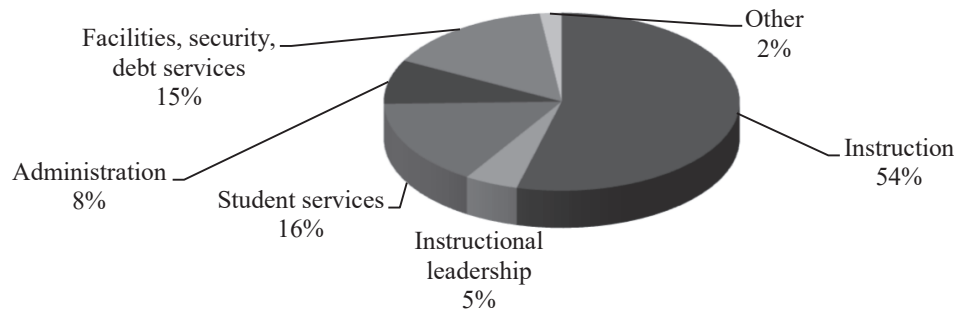
For the year ended June 30, 2023, the District's total revenues were \$3,495,406. Approximately 38% of the District's revenue was generated by property taxes, 41% was generated from state aid grants, 16% was generated from other operating grants, 1% was generated from charges for services and the remaining 4% was generated from miscellaneous revenue sources (see Exhibit VI).

Exhibit VI - Sources of Revenues for the Year Ended June 30, 2023



For the year ended June 30, 2023, the District's total cost of all programs and services was \$3,407,957. Approximately 54% of the District's governmental activities were dedicated to instructional areas. Direct student services, such as counseling, nursing and transportation services comprised 16% of governmental expenses. The costs to operate facilities, including utilities, security services and debt payments comprised 15% of the cost of all programs (see Exhibit VII).

Exhibit VII - Expenditure Allocation for the Year Ended June 30, 2023



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Other Financial Highlights (continued)

The District took actions this year to compensate for some expected increases in cost and to avoid the loss of state revenue due to changes in the provisions related to accelerated, intensive, compensatory education (State Comp Ed) and student attendance accounting (Leavers).

- The District's total property tax rate was set at \$1.18108 per hundred dollar valuation in 2023, which decreased from 2022. The tax rate will increase to \$0.75842 per hundred dollar valuation for the 2023-2024 school year.
- The cost of all governmental activities this year was \$3,407,957 compared to \$3,215,513 last year. However, as shown in the Statement of Activities on Exhibit B-1 (page 15), the amount that our taxpayers ultimately financed for these activities through District taxes was only \$1.34 million because some of the costs were paid by those who directly benefited from the programs (\$0.05 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.55 million) or by State equalization funding (\$1.44 million).
- The District's management and budget managers were conservative in spending allocated resources.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$4,407,232, which is lower than last year's total of \$4,662,577. Included in this year's total change in fund balance is a decrease of \$372,693 in the District's General Fund and an increase of \$117,348 in the District's Non-Major Funds. The primary reason for the net decrease is a significant increase in payroll and operating costs.

Over the course of the year, the Board of Trustees revised the District's budget. The budget amendments involved moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs and adjusting for changes in planned purchases.

The District's General Fund balance of \$4,181,959 reported on page 16 differs from the General Fund's budgetary fund balance of \$3,579,983 reported in the budgetary comparison schedule on page 50. This is principally due to cost additions and decreased revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2023 the District had a net of \$4,165,162 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$243,212, or 6.20 percent, over last year.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2023**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Capital Assets (continued)

This year's major additions included:

Cafeteria renovations – Construction in progress	\$ 183,951
406 Clarendon - teacherage	62,000
2 nd Street renovations	43,240
Ag building roof replacement	31,175
Old gym new flooring	14,270
New meter pole	12,370
Ag building new floor	28,796
New oven	32,000
Dishwasher	6,065
Floor scrubber	5,880
Total Additions	\$ 419,747

Debt Administration

At year-end, the District had \$665,746 in outstanding long-term debt, related to various Bonds issued by the District. For more information on the District's long-term debt, see Notes H and I in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District is located in Gray County, Texas. The primary economic activity of Gray County is agriculture and oil and gas activities. The majority of the District's property tax base is derived from agriculture and oil and gas property and activities.

The District's student enrollment decreased as enrollment was 197 at the beginning of fiscal year 2022-2023 and enrollment was 185 at the beginning of 2023-2024.

The District's elected and appointed officials considered many factors when setting the fiscal-year 2023-2024 budget and tax rates. The District operating tax rate remained constant at \$0.66920 per hundred dollar valuation, for the fiscal year 2023-2024. The District's interest and sinking tax rate increased to \$0.08922 per hundred dollar valuation for the fiscal year 2023-2024.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2024. Amounts available for appropriation in the General Fund budget are \$2,685,062, and budgeted expenditures are expected to be \$3,397,643. The District has added no new major programs or initiatives to the fiscal year 2024 budget.

For the 2023-2024 year, the District budgeted for a decrease of approximately \$163,000 in local revenues and an increase of approximately \$531,000 in State funding.

There are additional funding challenges in the future for all school districts, but with the strong support of the District's citizens and great leadership of the Board of Trustees, the District's management is very confident that the District will remain financially sound.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at McLean Independent School District, 4th and Rowe Street, PO Box 90, McLean, Texas 79057.



MCLEAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,540,932
1120 Current Investments	1,704,476
1220 Property Taxes - Delinquent	105,402
1230 Allowance for Uncollectible Taxes	(12,728)
1240 Due from Other Governments	396,863
1410 Prepayments	20,000
Capital Assets:	
1510 Land	16,500
1520 Buildings, Net	3,660,631
1530 Furniture and Equipment, Net	151,882
1540 Other Capital Assets, Net	152,198
1580 Construction in Progress	183,951
1000 Total Assets	8,920,107
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	281,288
1706 Deferred Outflow Related to TRS OPEB	439,803
1700 Total Deferred Outflows of Resources	721,091
LIABILITIES	
2110 Accounts Payable	15,852
2140 Interest Payable	9,675
2160 Accrued Wages Payable	185,483
2180 Due to Other Governments	26,670
2200 Accrued Expenses	16,470
2300 Unearned Revenue	10,565
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	195,927
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	469,819
2540 Net Pension Liability (District's Share)	545,289
2545 Net OPEB Liability (District's Share)	371,430
2000 Total Liabilities	1,847,180
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	175,078
2606 Deferred Inflow Related to TRS OPEB	1,050,599
2600 Total Deferred Inflows of Resources	1,225,677
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	3,499,416
Restricted:	
3850 Restricted for Debt Service	224,638
3890 Restricted for Other Purposes	635
3900 Unrestricted	2,843,652
3000 Total Net Position	\$ 6,568,341

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position <u>Primary Gov.</u> Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 1,805,489	\$ 11,804	\$ 321,960	\$ (1,471,725)
12	Instructional Resources and Media Services	18,242	-	1,565	(16,677)
13	Curriculum and Instructional Staff Development	18,870	-	18,000	(870)
23	School Leadership	165,991	-	11,656	(154,335)
31	Guidance, Counseling, and Evaluation Services	86,767	-	5,255	(81,512)
33	Health Services	570	-	-	(570)
34	Student (Pupil) Transportation	84,753	-	656	(84,097)
35	Food Services	169,368	16,550	143,458	(9,360)
36	Extracurricular Activities	192,081	7,243	2,487	(182,351)
41	General Administration	274,021	-	6,793	(267,228)
51	Facilities Maintenance and Operations	429,062	12,300	30,183	(386,579)
52	Security and Monitoring Services	4,424	-	-	(4,424)
53	Data Processing Services	70,768	-	152	(70,616)
72	Debt Service - Interest on Long-Term Debt	19,122	-	4,421	(14,701)
73	Debt Service - Bond Issuance Cost and Fees	806	-	-	(806)
93	Payments Related to Shared Services Arrangements	37,998	-	-	(37,998)
99	Other Intergovernmental Charges	29,625	-	-	(29,625)
	[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 3,407,957</u>	<u>\$ 47,897</u>	<u>\$ 546,586</u>	<u>(2,813,474)</u>
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			1,042,316	
DT	Property Taxes, Levied for Debt Service			296,126	
SF	State Aid - Formula Grants			1,440,049	
IE	Investment Earnings			72,921	
MI	Miscellaneous Local and Intermediate Revenue			49,511	
TR	Total General Revenues			<u>2,900,923</u>	
CN	Change in Net Position			87,449	
NB	Net Position - Beginning			<u>6,480,892</u>	
NE	Net Position - Ending			<u>\$ 6,568,341</u>	

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 2,299,931	\$ 241,001	\$ 2,540,932
1120 Investments - Current	1,704,476	-	1,704,476
1220 Property Taxes - Delinquent	84,524	20,878	105,402
1230 Allowance for Uncollectible Taxes	(10,547)	(2,181)	(12,728)
1240 Due from Other Governments	356,929	39,934	396,863
1260 Due from Other Funds	32,650	7,408	40,058
1410 Prepayments	20,000	-	20,000
1000 Total Assets	<u>\$ 4,487,963</u>	<u>\$ 307,040</u>	<u>\$ 4,795,003</u>
LIABILITIES			
2110 Accounts Payable	\$ 15,852	\$ -	\$ 15,852
2160 Accrued Wages Payable	172,678	12,805	185,483
2170 Due to Other Funds	7,408	32,650	40,058
2180 Due to Other Governments	21,517	5,153	26,670
2200 Accrued Expenditures	14,573	1,897	16,470
2300 Unearned Revenue	-	10,565	10,565
2000 Total Liabilities	<u>232,028</u>	<u>63,070</u>	<u>295,098</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	73,976	18,697	92,673
2600 Total Deferred Inflows of Resources	<u>73,976</u>	<u>18,697</u>	<u>92,673</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	20,000	-	20,000
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	224,638	224,638
3490 Other Restricted Fund Balance	-	635	635
3600 Unassigned Fund Balance	4,161,959	-	4,161,959
3000 Total Fund Balances	<u>4,181,959</u>	<u>225,273</u>	<u>4,407,232</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,487,963</u>	<u>\$ 307,040</u>	<u>\$ 4,795,003</u>

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 JUNE 30, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,407,232
1 Capital assets and Right-to-Use Lease 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 \$6,048,342 and the accumulated depreciation was \$2,126,392. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		3,052,651
2 Current year capital outlays and long-term debt principal payments 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 capital outlays and debt principal payments is to increase net position. Similarly, the principal payments on Right-to-Use Lease Assets and SBITA Assets are not expenses, rather they are decreases in the Right-to-Use Lease Liabilities and the SBITA Liabilities. These payments must be reclassified and shown as reductions to these liabilities increasing Net Position.		613,625
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$281,288, a deferred resource inflow in the amount of \$175,078, and a net pension liability in the amount of \$545,289. This resulted in a decrease in net position.		(439,079)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$439,803, a deferred resource inflow in the amount of \$1,050,599, and a net OPEB liability in the amount of \$371,430. This resulted in a decrease in net position.		(982,226)
5 The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(176,535)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		92,673
19 Net Position of Governmental Activities	\$	6,568,341

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 1,300,188	\$ 343,283	\$ 1,643,471
5800 State Program Revenues	1,589,421	10,409	1,599,830
5900 Federal Program Revenues	38,346	430,417	468,763
5020 Total Revenues	<u>2,927,955</u>	<u>784,109</u>	<u>3,712,064</u>
EXPENDITURES:			
Current:			
0011 Instruction	1,586,546	235,613	1,822,159
0012 Instructional Resources and Media Services	18,178	1,032	19,210
0013 Curriculum and Instructional Staff Development	870	18,000	18,870
0023 School Leadership	173,209	6,184	179,393
0031 Guidance, Counseling, and Evaluation Services	89,663	2,833	92,496
0033 Health Services	570	-	570
0034 Student (Pupil) Transportation	51,535	588	52,123
0035 Food Services	-	202,164	202,164
0036 Extracurricular Activities	175,580	-	175,580
0041 General Administration	272,314	1,545	273,859
0051 Facilities Maintenance and Operations	442,455	27,152	469,607
0052 Security and Monitoring Services	2,892	-	2,892
0053 Data Processing Services	71,069	-	71,069
Debt Service:			
0071 Principal on Long-Term Liabilities	-	180,000	180,000
0072 Interest on Long-Term Liabilities	-	33,000	33,000
0073 Bond Issuance Cost and Fees	-	806	806
Capital Outlay:			
0081 Facilities Acquisition and Construction	328,482	-	328,482
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	37,998	-	37,998
0099 Other Intergovernmental Charges	29,625	-	29,625
6030 Total Expenditures	<u>3,280,986</u>	<u>708,917</u>	<u>3,989,903</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(353,031)</u>	<u>75,192</u>	<u>(277,839)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	22,494	-	22,494
7915 Transfers In	-	42,156	42,156
8911 Transfers Out (Use)	(42,156)	-	(42,156)
7080 Total Other Financing Sources (Uses)	<u>(19,662)</u>	<u>42,156</u>	<u>22,494</u>
1200 Net Change in Fund Balances	(372,693)	117,348	(255,345)
0100 Fund Balance - July 1 (Beginning)	<u>4,554,652</u>	<u>107,925</u>	<u>4,662,577</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 4,181,959</u>	<u>\$ 225,273</u>	<u>\$ 4,407,232</u>

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



MCLEAN 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, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(255,345)
Current year capital outlays and long-term debt principal payments 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 decrease the change net position. Similarly, current year principal payments on Right-to-Use Leases and SIBTAs are also reclassified as reductions to the Right-To-Use Lease Liability and the SBITA liability which will result in an increase in the change in Net Position.		613,625
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 the change in net position.		(176,535)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(157,194)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$42,540. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$35,956. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$8,316. The net result is a decrease in the change in net position.		(1,732)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$12,287 . Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$10,688 . Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$63,031 The net result is an increase in the change in net position.		64,630
Change in Net Position of Governmental Activities	\$	87,449

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2023

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 8,972	\$ 53,146
Total Assets	<u>8,972</u>	<u>\$ 53,146</u>
NET POSITION		
Restricted for Scholarships	8,972	-
Restricted for Other Purposes	<u>-</u>	<u>53,146</u>
Total Net Position	<u>\$ 8,972</u>	<u>\$ 53,146</u>

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Miscellaneous Revenue - Student Activities	\$ -	\$ 69,303
Total Additions	<u>-</u>	<u>69,303</u>
DEDUCTIONS:		
Supplies and Materials	-	59,604
Total Deductions	<u>-</u>	<u>59,604</u>
Change in Fiduciary Net Position	-	9,699
Total Net Position - July 1 (Beginning)	<u>8,972</u>	<u>43,447</u>
Total Net Position - June 30 (Ending)	<u>\$ 8,972</u>	<u>\$ 53,146</u>

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



MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McLean Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District 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 generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, 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.

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

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 GASB 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 Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.



MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Custodial Funds utilize the accrual basis of accounting, reporting the fund's change in net assets and liabilities in the fund's Fiduciary Net Position.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operations are included on the Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund.



MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING (continued)

Fiduciary Funds:

1. **Private Purpose Trust Funds** - The District accounts for donations which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is a scholarship fund.
2. **Custodial Funds** - The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Fund is the Student Activity Fund. Financial resources for the custodial funds are recorded on the accrual basis of accounting and thus report the change in the fund's assets and liabilities as a change in Net Position of the Fiduciary Fund. The student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees.

E. FUND BALANCE POLICY

The District reports fund balances for governmental funds in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The **nonspendable** classification represents assets that will be consumed or "must be maintained intact" and therefore will never convert to cash, such as inventories or supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the **restricted** classification. The nature of these two classifications preclude a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balance since that practice would commit funds that the District does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation or authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned or unassigned balances, the expenditures should be charged to committed balances, then assigned balances, with any remainders to be charged to unassigned balances.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. FUND BALANCE POLICY (continued)

As of June 30, 2023, the District reports the following governmental fund balance classifications:

Non spendable fund balances:

Prepaid items	\$ <u>20,000</u>
Restricted	
Other	635
Retirement of Long-Term Debt	<u>224,638</u>
Total Restricted	<u>225,273</u>
Unassigned	<u>4,161,959</u>
Total Fund Balance	<u>\$ 4,407,232</u>

F. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. OTHER ACCOUNTING POLICIES

1. The District reports purchases of supplies as expenditures when they are purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenues and expenditures in equal amounts. If a material amount of supplies or commodities are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount. At June 30, 2023, the amount of supplies and commodities on hand was not material.

2. Capital assets, which include land, buildings, building improvements, furniture and equipment, and vehicles, are reported in the governmental activities column 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 one year. 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.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, building improvements, furniture and equipment, and vehicles of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	5-20
Vehicles	8-10
Equipment	5-20

3. In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District’s Board. Assignments of fund balance are amounts set aside by the District’s Superintendent or their designee with the intent they be used for specific purposes.

4. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

As of June 30, 2023, the District had outstanding long term debt in the net amount of \$645,000, and an unamortized premium on bonds of \$20,746.

5. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

6. The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. OTHER ACCOUNTING POLICIES (continued)

7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide database for policy development and funding plans.
8. The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
9. The amounts on the statements have been rounded individually; consequently, some columns may not total, and some schedules may not agree because of this rounding.
10. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then.
11. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Child Nutrition Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1, the Child Nutrition Program Budget report is in Exhibit J-2 and the Debt Service Fund is in Exhibit J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY DATA (continued)

3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were considered by management to be significant:
- Total General Fund budget amendments to function 11 (Instruction) amounted to an increase of approximately \$230,000.
 - Total General Fund budget amendments to function 23 (School Leadership) amounted to a decrease of approximately \$70,000.
 - Total General Fund budget amendments to function 36 (Extracurricular Activities) amounted to an increase of approximately \$75,000.
 - Total General Fund budget amendments to function 51 (Facilities Maintenance and Operations) amounted to an increase of approximately \$105,000.
 - Total General Fund budget amendments to function 81 (Facilities Acquisition and Construction) amounted to an increase of approximately \$345,000
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's management attempts to budget expenditures as accurately as possible during the budget process and to make necessary budget amendments throughout the year as needed. However, sometimes expenditures in the functional categories will exceed budgeted estimates. Actual expenditures on the fund financial statements do not exceed the final amended budget.

C. DEFICIT FUND EQUITY

There were no fund deficits during the year ended June 30, 2023.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk - The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not allowing any deposits denominated in a foreign currency.

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies, (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated not lower than “AA-” or the equivalent, (8) public funds investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2023, the District had the following cash and investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Cash and Cash Equivalents	\$ 2,603,050	\$ 2,603,050	\$ -	\$ -	\$ -
Certificates of Deposit (included in Investments)	1,107,409	1,107,409	-	-	-
Investment Pools - TexSTAR	<u>597,067</u>	<u>597,067</u>	-	-	-
Total	<u>\$ 4,307,526</u>	<u>\$ 4,307,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to public funds investment pools, certificates of deposit, and savings accounts with its depository bank.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk for Investments - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires the depository bank to pledge securities held by the District's agent bank in the District's name sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District has established weighted average maturity limits and diversification standards.

Throughout the year and as of June 30, 2023, the District's bank deposits were fully insured by FDIC insurance coverage and pledged securities held by the District's bank in the District's name. As of June 30, 2023, the District's bank deposits consisted of the following collateral coverage:

Total bank deposits	\$ 3,710,459
FDIC insurance coverage	(500,000)
Fair market value of pledged securities	<u>(5,329,348)</u>
 Over collateralized deposits	 <u>\$ (2,118,889)</u>

The District's investments as of June 30, 2023 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Credit Rating</u>
Cash in Bank	\$ 2,603,050	\$ 2,603,050	n/a
Certificate of Deposit in Bank (included in Investments)	1,107,409	1,107,409	n/a
Investment Pool - TexSTAR	<u>597,067</u>	<u>597,067</u>	AAA
 Totals	 <u>\$ 4,307,526</u>	 <u>\$ 4,307,526</u>	

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the school fiscal year or during a 60-day period after the close of the school fiscal year.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property 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.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2023, consisted of the following amounts:

Due to General Fund from:	
Non-Major Governmental Funds	\$ <u>32,650</u>
Total Due to General Fund	\$ <u>32,650</u>
Due to Non-major Governmental Funds from:	
General Fund	\$ <u>7,408</u>
Total Due to Non-major Governmental Funds	\$ <u>7,408</u>

Transfers are used to move revenues from the General Fund to supplement various Special Revenue Funds. Transfers for the year ended June 30, 2023 were as follows:

Transfers from General Fund to:	
Child Nutrition Program Fund	\$ <u>42,156</u>
Total Transfers from General Fund	\$ <u>42,156</u>

E. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources in the fund financial statements excluding amounts related to TRS (See Notes J and K) at year-end consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Unavailable revenue - property taxes	\$ <u>73,976</u>	\$ <u>18,697</u>	\$ <u>92,673</u>

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables in the Fund Financial Statements at June 30, 2023, were as follows:

	<u>Property Taxes</u>	<u>Due from Other Govts</u>	<u>Due from Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 84,524	\$ 356,929	\$ 32,650	\$ -	\$ 474,103
Non-Major Governmental Funds	<u>20,878</u>	<u>39,934</u>	<u>7,408</u>	-	<u>68,220</u>
Total - Governmental Activities	<u>\$ 105,402</u>	<u>\$ 396,863</u>	<u>\$ 40,058</u>	<u>\$ -</u>	<u>\$ 542,323</u>

Amounts not scheduled for collection during the subsequent year	\$ <u>(12,728)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(12,728)</u>
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**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

F. DISAGGREGATION OF RECEIVABLES AND PAYABLES (continued)

Payables in the Fund Financial Statements at June 30, 2023, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 15,852	\$ 172,678	\$ 7,408	\$ 36,090	\$ 232,028
Non-Major Governmental Funds	<u>-</u>	<u>12,805</u>	<u>32,650</u>	<u>17,615</u>	<u>63,070</u>
Total - Governmental Activities	<u>\$ 15,852</u>	<u>\$ 185,483</u>	<u>\$ 40,058</u>	<u>\$ 53,705</u>	<u>\$ 295,098</u>

G. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets:				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Building and improvements	4,974,775	191,851	-	5,166,626
Furniture and equipment	357,869	43,945	-	401,814
Construction in Progress	-	183,951	-	183,951
Vehicles	<u>699,198</u>	<u>-</u>	<u>104,274</u>	<u>594,924</u>
Totals at Historical Cost	<u>6,048,342</u>	<u>419,747</u>	<u>104,274</u>	<u>6,363,815</u>
Less Accumulated Depreciation for:				
Capital Assets:				
Building and improvements	1,380,183	125,812	-	1,505,995
Furniture and equipment	229,286	20,646	-	249,932
Vehicles	<u>516,923</u>	<u>30,077</u>	<u>104,274</u>	<u>442,726</u>
Total for Capital Assets	<u>2,126,392</u>	<u>176,535</u>	<u>104,274</u>	<u>2,198,653</u>
Government Activities, net	<u>\$ 3,921,950</u>	<u>\$ 243,212</u>	<u>\$ -</u>	<u>\$ 4,165,162</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 87,192
Student (Pupil) Transportation	32,749
Food Service	5,269
Co-curricular/Extracurricular Activities	21,901
General Administration	8,921
Plant Maintenance and Operations	18,971
Security and Monitoring	<u>1,532</u>
Total Depreciation Expense	<u>\$ 176,535</u>



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

H. BONDS AND LONG-TERM LIABILITIES PAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Interest is payable on the bonds semiannually with interest rates ranging from 2.00% to 4.00%. The bonds mature through February 15, 2027.

The District sold new bonds in 2011 in order to refund a portion of previously issued 2007 School Building Bonds. The new bonds had a face value of \$2,445,000. The estimated refunding savings using present value is \$291,243 with a present value benefit of 10.59%. There is a premium paid of \$87,891 of which will be amortized over the life of the bonds. The amortized amounts for the current year is \$5,928 for the premium paid. This bond is scheduled to mature on February 15, 2027.

A summary of changes in general long-term liabilities for the year ended June 30, 2023 is as follows:

<u>Description</u>	<u>Average Interest Rate Payable</u>	<u>Amounts Originally Issued</u>	<u>Interest Current Year</u>	<u>Amounts Outstanding 7/1/2022</u>	<u>Issued & Accreted Interest</u>	<u>Retired</u>	<u>Outstanding 6/30/2023</u>
2011 Unlimited Tax Refunding Bond	2.00% to 4.00%	\$ 2,445,000	\$ 33,000	\$ 825,000	\$ -	\$ 180,000	\$ 645,000
Unamortized (Discount) Premium	N/A	87,891	-	26,674	-	5,928	20,746
Total Noncurrent Liabilities			<u>\$ 33,000</u>	<u>\$ 851,674</u>	<u>\$ -</u>	<u>\$ 185,928</u>	<u>\$ 665,746</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions as of June 30, 2023.

I. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM LIABILITIES PAYABLE

Debt service requirements for bonds are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 190,000	\$ 22,000	\$ 212,000
2025	190,000	14,400	204,400
2026	205,000	6,500	211,500
2027	<u>60,000</u>	<u>1,200</u>	<u>61,200</u>
Total Bonds Payable	<u>\$ 645,000</u>	<u>\$ 44,100</u>	<u>\$ 689,100</u>



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

I. DEBT SERVICE REQUIREMENTS - BONDS AND LONG-TERM LIABILITIES PAYABLE (continued)

Debt service requirements for amortization are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,928	\$ -	\$ 5,928
2025	5,928	-	5,928
2026	5,928	-	5,928
2027	<u>2,966</u>	<u>-</u>	<u>2,966</u>
Total Amortization Requirements	\$ <u>20,746</u>	\$ <u>-</u>	\$ <u>20,746</u>
Total Noncurrent Liabilities	\$ <u>665,746</u>	\$ <u>44,100</u>	\$ <u>709,846</u>

J. DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension plan (the plan) that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). The plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefit to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provision for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code, Title 8, Section 821.006 prohibits benefit improvements, 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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Contributions. Contribution requirements are established or amended pursuant to 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution rates can be found in the TRS 2022 ACFR, Note 11, on page 85.

The following table shows contribution rates by type of contributor for the fiscal years 2022 and 2023 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year (FY 2022). The reported contributions from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability

	Contribution Rates	
	Plan Fiscal Year	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employer	7.75%	8.00%
District's 2023 FY Employer Contributions	\$	49,272
District's 2023 FY Member Contributions		142,456
2022 Measurement Year NECE On-Behalf Contributions		102,845



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there is a surcharge and employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025. This surcharge amount is 1.80% for fiscal year 2023.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2022 are disclosed below: (From TRS Annual Comprehensive Financial Report 2022, page 86.)

Components of Liability	Amount
Total Pension Liability	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(184,185,617,196)
Net Pension Liability	\$ 59,367,428,259
Net Position as a Percentage of Total Pension Liability	75.62%

Actuarial Assumptions.

Roll Forward - The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2022 TRS ACFR, Note 11, page 87.*



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Component	Result
Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Single Discount Rate	7.00%
Long-term Expected Return	7.00%
Municipal Bond Rate as of August 2022	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in projection period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the TRS actuarial valuation report dated November 12, 2021.

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 (see page 54 of the TRS ACFR) are summarized below:



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Asset Class*	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.4%	0.75%
Private Equity	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources and Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity			
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	(0.01)%
Asset Allocation Leverage	(6.00)%	3.60%	0.05%
Inflation Expectation			2.70%
Volatility Drag****			(0.91)%
Expected Return	<u>100.00%</u>		<u>8.19%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the District's net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate <u>6.00%</u>	Current Single Discount Rate <u>7.00%</u>	1% Increase in Discount Rate <u>8.00%</u>
District's proportional share of the net pension liability	\$ 848,263	\$ 545,289	\$ 299,714



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$545,289 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	545,289
State's proportionate share that is associated with the District		<u>1,308,458</u>
 Total		 <u>\$ 1,853,747</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0009184984%, which was a decrease of -0.0002341070% from its proportion measured as of August 31, 2021.

Changes In Actuarial Assumptions Since the Prior Actuarial Valuation - The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

Changes in Benefits - There were no changes in benefits.

For the year ended June 30, 2023, the District recognized pension expense of \$169,346 and revenue of \$125,074 for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 7,907	\$ 11,888
Changes in actuarial assumptions	101,605	25,323
Net difference between projected and actual investment earnings	53,873	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	75,363	137,867
Contributions paid to TRS subsequent to the measurement date	<u>42,540</u>	<u>-</u>
 Total	 <u>\$ 281,288</u>	 <u>\$ 175,078</u>



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

J. DEFINED BENEFIT PENSION PLAN (continued)

The net amounts of the employer’s balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized in pension expense as follows:

Year ended		
June 30	—	
2024	\$	19,898
2025		10,902
2026		(535)
2027		40,798
2028		(7,393)
Thereafter		

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Summary of Significant Accounting Policies. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Net OPEB Liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates			
		Medicare	Non-Medicare
Retiree or Surviving Spouse	\$	135	\$ 200
Retiree and Spouse		529	689
Retiree or Surviving Spouse and Children		468	408
Retiree and Family		1,020	999

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

	Contribution Rates	
	Plan Fiscal Year	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
District's 2023 FY Employer Contributions	\$	14,311
District's 2023 FY Member Contributions		11,575
Measurement Year NECE On-Behalf Contributions		15,542

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received a supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19-related health care costs during fiscal year 2022.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographics assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022.

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Component	Result
Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

From 2022 TRS ACFR, Note 9, page 77.

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

Discount Rate. A single discount rate of 3.91 percent was used to measure the total OPEB liability. This was an increase of 1.96 percent in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on these assumptions the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 2.91%	Current Single Discount Rate 3.91%	1% Increase in Discount Rate 4.91%
District's proportional share of the net OPEB liability	\$ 437,945	\$ 371,430	\$ 317,544

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1.00% Decrease	Current Healthcare Cost Cost Trend	1.00% Increase
District's proportional share of the net OPEB liability	\$ 306,060	\$ 371,430	\$ 456,174

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OBEs. At June 30, 2023, the District reported a liability of \$371,430 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 371,430
State's proportionate share that is associated with the District	453,086
Total	\$ 824,516

The net OPEB liability was measured as of August 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.0015512440%, which was a decrease of 0.0007812403% from its proportion measured as of August 31, 2021.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

K. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation - The discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the total OPEB liability.

Changes in Benefits - There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2023, the District recognized OPEB expense of (\$116,640) and revenue of (\$64,297) for support provided by the State in the Government Wide Statement of Activities.

At June 30, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 20,650	\$ 309,434
Changes in actuarial assumptions	56,576	258,047
Net difference between projected and actual investment earnings	1,106	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	349,184	483,118
Contributions paid to TRS subsequent to the measurement date	12,287	-
Total	\$ 439,803	\$ 1,050,599

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized by the District in OPEB expense as follows:

Year ended <u>June 30</u>		
2024	\$	(92,603)
2025		(92,599)
2026		(76,848)
2027		(55,523)
2028		(69,193)
Thereafter		(236,317)



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

L. HEALTH CARE COVERAGE

During the year ended June 30, 2023, the District provided medical benefits coverage (the Plan) to its employees through the TRS. The Plan was created and is operated under the provisions of the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343) enacted by the 77th Legislature. H.B. 3343 established a new statewide health coverage program for public school employees and their dependents. The TRS began administering the Plan, known as the TRS-ACTIVECARE, as of September 1, 2003. The Plan includes employees of most small to mid-size districts, charter schools, education service centers, and certain other employees.

Participants in the Plan can choose from several different benefit options and must meet certain eligibility requirements. Currently, participants must either be an active, contributing, TRS member or must be employed for 10 or more hours each week to be eligible for coverage under the Plan.

Each member district is billed monthly based upon the number of employees participating in the Plan. The District contributed \$300 per month per full time employee to the Plan. For the year ended June 30, 2023, total payments to the Plan by the District were \$191,952, of which \$84,252 was paid by the District's employees, resulting in a net cost to the District for health benefit coverage of \$107,700.

According to the Plan's administrator, Plan participants retain the risk associated with the Plan, with no risks being transferred or assumed by the TRS, member districts, or by the State of Texas. Additional information pertaining to the Plan can be obtained by contacting the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by calling the TRS at 1-800-223-8778, or by downloading information from the TRS website at www.trs.state.tx.us.

M. ACCOUNTING FOR EMPLOYEE BENEFITS - ON-BEHALF PAYMENT

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. For the years ending June 30, 2023, 2022, and 2021, the District's portion of subsidy reimbursements received by TRS and recognized as equal expenditures/expenses was \$9,786, \$6,812, and \$7,479, respectively. The plan covering these retired employees is the Teacher Retirement System of Texas, and these on-behalf payments are being made by the federal government to the State of Texas as a pass through grant to the Texas Education Agency on behalf of the District.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

N. DUE FROM STATE AGENCIES

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. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Amounts due from state agencies at year end consisted of the following:

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$ 356,929	\$ -	\$ 356,929
Non-Major Governmental Funds	-	39,934	39,934
Total	<u>\$ 356,929</u>	<u>\$ 39,934</u>	<u>\$ 396,863</u>

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 1,176,788	\$ 318,849	\$ 1,495,637
Penalties, interest and other	14,711	3,342	18,053
Investment income	68,378	4,544	72,920
Food sales	-	16,550	16,550
Co-curricular student activities	7,243	-	7,243
Other	33,068	-	33,068
Total	<u>\$ 1,300,188</u>	<u>\$ 343,283</u>	<u>\$ 1,643,471</u>

P. LITIGATION AND CONTINGENCIES

At June 30, 2023, the District had no known or threatened pending litigation that would materially affect the District's financial condition.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any receivable at June 30, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

Q. CONSTRUCTION, SIGNIFICANT COMMITMENTS AND ARRANGEMENTS

The District has one significant construction project in progress as of June 30, 2023 related to cafeteria repairs and renovations. Total costs associated with these projects is estimated to be approximately \$52,000 and will be paid out of the Food Service Fund.

R. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Special Education. The District has neither a joint ownership interest in fixed assets purchased by the fiscal agent, Shamrock ISD (242902), nor a net equity interest in the fiscal agent. The District accounts for its share of the revenues and expenditures of the shared service arrangement in the General Fund. The fiscal agent is responsible for all financial activities of the shared service arrangement. The District contributed \$37,998 to the shared services agreement during the current year.

S. GENERAL FUND FEDERAL SOURCE REVENUE

Federally financed programs are generally accounted for in the Special Revenue Funds of the District, except for indirect and other costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA. The District recognized in the General Fund such revenues for the year ended June 30, 2023, from various federal sources as follows:

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
SHARS reimbursements	93.774	\$ 38,346

T. PROPERTY PROGRAM

During the year ended June 30, 2023, the District participated in the TASB Risk Management Fund’s (the “Fund”) Property Program with coverage in: crime; equipment breakdown; and property. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. The terms and limits of the stop loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended June 30, 2023, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on June 30. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of June 30, 2023, which is the most current report provided to the public, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2023**

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

U. SERVICE CONTRACT WITH REGION 16 EDUCATION SERVICE CENTER

The District has contracted with Region 16 Education Service Center (Region 16) to perform certain accounting duties for the District for the 2023-2024 fiscal year. The contracted amount of \$30,000 includes the reconciliation of the general fund bank accounts; review of accounting records including balance sheet accounts, revenue and expense accounts, due to/due from accounts, journal and budget entries and payroll balancing; and assisting with budget preparation, journal entries and payroll. The contract with Region 16 may be renewed annually. The District also pays Region 16 for the use of its accounting software, approximately \$17,000 annually. Also, the District pays Region 16 consulting services for certain compliance and administrative services, approximately \$88,000 annually.

V. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2020 the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. . The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. This Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs . The effective date for GASB Statement 96 is reporting periods beginning after June 15, 2022. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which GASB 96 is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior the implementation of GASB 96. The District's adoption of GASB Statement 96 as of July 1, 2022 had no material effect on these financial statements.

W. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 16, 2023, the date the financial statements were available to be issued. The District started multiple new construction projects subsequent to June 30, 2023. The facilities improvement projects span multiple areas and include door replacements, security fencing and HVAC repairs. Total costs associated with these projects is estimated to be approximately \$262,000 and will be paid out of the General Fund.



MCLEAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,145,617	\$ 855,617	\$ 1,300,188	\$ 444,571
5800	State Program Revenues	1,151,214	1,641,214	1,589,421	(51,793)
5900	Federal Program Revenues	20,000	20,000	38,346	18,346
5020	Total Revenues	2,316,831	2,516,831	2,927,955	411,124
EXPENDITURES:					
Current:					
0011	Instruction	1,416,659	1,646,659	1,586,546	60,113
0012	Instructional Resources and Media Services	17,389	18,889	18,178	711
0013	Curriculum and Instructional Staff Development	2,766	2,766	870	1,896
0023	School Leadership	254,575	184,575	173,209	11,366
0031	Guidance, Counseling, and Evaluation Services	72,543	92,543	89,663	2,880
0033	Health Services	1,000	1,000	570	430
0034	Student (Pupil) Transportation	64,411	64,411	51,535	12,876
0036	Extracurricular Activities	113,749	188,749	175,580	13,169
0041	General Administration	290,056	290,056	272,314	17,742
0051	Facilities Maintenance and Operations	337,487	442,487	442,455	32
0052	Security and Monitoring Services	-	3,000	2,892	108
0053	Data Processing Services	92,000	75,000	71,069	3,931
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	345,000	328,482	16,518
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	38,000	38,000	37,998	2
0099	Other Intergovernmental Charges	35,000	35,000	29,625	5,375
6030	Total Expenditures	2,735,635	3,428,135	3,280,986	147,149
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(418,804)	(911,304)	(353,031)	558,273
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	22,494	22,494
8911	Transfers Out (Use)	(53,365)	(63,365)	(42,156)	21,209
7080	Total Other Financing Sources (Uses)	(53,365)	(63,365)	(19,662)	43,703
1200	Net Change in Fund Balances	(472,169)	(974,669)	(372,693)	601,976
0100	Fund Balance - July 1 (Beginning)	4,554,652	4,554,652	4,554,652	-
3000	Fund Balance - June 30 (Ending)	\$ 4,082,483	\$ 3,579,983	\$ 4,181,959	\$ 601,976



MCLEAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.000918498%	0.001152605%	0.001288625%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 545,289	\$ 293,528	\$ 690,161
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	1,308,458	635,204	1,310,011
Total	<u>\$ 1,853,747</u>	<u>\$ 928,732</u>	<u>\$ 2,000,172</u>
District's Covered Payroll	\$ 1,595,376	\$ 1,660,489	\$ 1,671,061
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	34.18%	17.68%	41.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2022 for year 2023, August 31, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.



FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.00096291%	0.000955667%	0.001000575%	0.00117076%	0.0011201%	0.0005241%
\$ 500,551	\$ 526,022	\$ 319,930	\$ 442,413	\$ 395,940	\$ 139,994
1,293,152	1,483,937	849,717	1,064,535	1,075,127	847,393
<u>\$ 1,793,703</u>	<u>\$ 2,009,959</u>	<u>\$ 1,169,647</u>	<u>\$ 1,506,948</u>	<u>\$ 1,471,067</u>	<u>\$ 987,387</u>
\$ 1,511,919	\$ 1,524,277	\$ 1,463,647	\$ 1,464,459	\$ 1,503,346	\$ 1,363,238
33.11%	34.51%	21.86%	30.21%	26.34%	10.27%
75.24%	73.74%	82.17%	78.00%	78.43%	83.25%



MCLEAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 49,272	\$ 42,942	\$ 50,228
Contribution in Relation to the Contractually Required Contribution	(49,272)	(42,942)	(50,228)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,780,700	\$ 1,602,198	\$ 1,654,977
Contributions as a Percentage of Covered Payroll	2.77%	2.68%	3.03%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.



	2020	2019	2018	2017	2016	2015
\$	52,908	\$ 33,371	\$ 31,910	\$ 34,065	\$ 36,234	\$ 29,963
	(52,908)	(33,371)	(31,910)	(34,065)	(36,234)	(29,963)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
\$	1,656,342	\$ 1,513,837	\$ 1,510,550	\$ 1,468,158	\$ 1,466,442	\$ 1,477,182
	3.19%	2.20%	2.11%	2.32%	2.47%	2.03%



MCLEAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.001551244%	0.002332484%	0.002428724%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 371,430	\$ 899,743	\$ 923,268
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	453,086	1,205,456	1,240,650
Total	<u>\$ 824,516</u>	<u>\$ 2,105,199</u>	<u>\$ 2,163,918</u>
District's Covered Payroll	\$ 1,595,376	\$ 1,660,489	\$ 1,671,061
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	23.28%	54.19%	55.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.



<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.001669806%	0.001735867%	0.001628387%
\$ 789,673	\$ 866,734	\$ 708,124
1,049,297	1,342,449	1,182,466
<u>\$ 1,838,970</u>	<u>\$ 2,209,183</u>	<u>\$ 1,890,590</u>
\$ 1,511,919	\$ 1,524,277	\$ 1,463,296
52.23%	56.86%	48.39%
2.66%	1.57%	0.91%



MCLEAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 14,311	\$ 13,289	\$ 18,188
Contribution in Relation to the Contractually Required Contribution	(14,311)	(13,289)	(18,188)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,780,700	\$ 1,602,198	\$ 1,654,977
Contributions as a Percentage of Covered Payroll	0.80%	0.83%	1.10%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.



	2020	2019	2018
\$	22,304	\$ 11,906	\$ 11,338
	(22,304)	(11,906)	(11,338)
\$	-	\$ -	\$ -
\$	1,656,342	\$ 1,513,837	\$ 1,510,550
	1.35%	0.79%	0.75%



MCLEAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

A. Notes to Schedules for TRS Pension

Changes of Benefit Terms:

There were no changes of benefit terms since the prior measurement date.

Changes of Assumptions:

There was a change in the actuarial assumptions. The primary change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

B. Notes to Schedules for the TRS OPEB Plan

Changes of Benefit Terms:

There were no changes in benefit terms since the prior measurement date.

Changes of Assumptions:

The single discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.

Lower participation rates and updates to health care trend rate assumptions were also factors that decreased the Total OPEB liability.



MCLEAN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ 17,983	\$ -	\$ -
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes	-	-	-	-
1240 Due from Other Governments	20,566	-	4,923	-
1260 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 20,566</u>	<u>\$ 17,983</u>	<u>\$ 4,923</u>	<u>\$ -</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 5,226	\$ 6,674	\$ 905	\$ -
2170 Due to Other Funds	14,447	-	3,914	-
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	893	744	104	-
2300 Unearned Revenue	-	10,565	-	-
2000 Total Liabilities	<u>20,566</u>	<u>17,983</u>	<u>4,923</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 20,566</u>	<u>\$ 17,983</u>	<u>\$ 4,923</u>	<u>\$ -</u>



281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Title IV Part A	492 UIL Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 635	\$ 18,618	\$ 222,383	\$ 241,001
-	-	-	-	-	20,878	20,878
-	-	-	-	-	(2,181)	(2,181)
902	11,393	2,150	-	39,934	-	39,934
-	-	-	-	-	7,408	7,408
<u>\$ 902</u>	<u>\$ 11,393</u>	<u>\$ 2,150</u>	<u>\$ 635</u>	<u>\$ 58,552</u>	<u>\$ 248,488</u>	<u>\$ 307,040</u>
\$ -	\$ -	\$ -	\$ -	\$ 12,805	\$ -	\$ 12,805
902	11,393	1,994	-	32,650	-	32,650
-	-	-	-	-	5,153	5,153
-	-	156	-	1,897	-	1,897
-	-	-	-	10,565	-	10,565
<u>902</u>	<u>11,393</u>	<u>2,150</u>	<u>-</u>	<u>57,917</u>	<u>5,153</u>	<u>63,070</u>
-	-	-	-	-	18,697	18,697
-	-	-	-	-	18,697	18,697
-	-	-	-	-	224,638	224,638
-	-	-	635	635	-	635
-	-	-	635	635	224,638	225,273
<u>\$ 902</u>	<u>\$ 11,393</u>	<u>\$ 2,150</u>	<u>\$ 635</u>	<u>\$ 58,552</u>	<u>\$ 248,488</u>	<u>\$ 307,040</u>



MCLEAN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	270 ESEA V, B,2 Rural & Low Income
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 16,550	\$ -	\$ -
5800 State Program Revenues	-	5,988	-	-
5900 Federal Program Revenues	71,304	128,282	11,503	23,848
5020 Total Revenues	71,304	150,820	11,503	23,848
EXPENDITURES:				
Current:				
0011 Instruction	71,304	-	11,503	23,848
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	192,976	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	71,304	192,976	11,503	23,848
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(42,156)	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	42,156	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -



281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act	289 Title IV Part A	492 UIL Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 16,550	\$ 326,733	\$ 343,283
-	-	-	-	5,988	4,421	10,409
132,614	52,866	10,000	-	430,417	-	430,417
132,614	52,866	10,000	-	452,955	331,154	784,109
97,180	21,778	10,000	-	235,613	-	235,613
516	516	-	-	1,032	-	1,032
9,000	9,000	-	-	18,000	-	18,000
4,123	2,061	-	-	6,184	-	6,184
516	2,317	-	-	2,833	-	2,833
588	-	-	-	588	-	588
2,082	7,106	-	-	202,164	-	202,164
1,030	515	-	-	1,545	-	1,545
17,579	9,573	-	-	27,152	-	27,152
-	-	-	-	-	180,000	180,000
-	-	-	-	-	33,000	33,000
-	-	-	-	-	806	806
132,614	52,866	10,000	-	495,111	213,806	708,917
-	-	-	-	(42,156)	117,348	75,192
-	-	-	-	42,156	-	42,156
-	-	-	-	-	117,348	117,348
-	-	-	635	635	107,290	107,925
\$ -	\$ -	\$ -	\$ 635	\$ 635	\$ 224,638	\$ 225,273



MCLEAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2023

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ Various
2015	1.040000	0.160000	149,881,784
2016	1.040000	0.172000	138,297,176
2017	1.040000	0.172000	103,605,055
2018	1.040000	0.242000	97,382,992
2019	1.040000	0.231000	100,033,127
2020	0.970000	0.210000	105,305,973
2021	0.966400	0.210000	84,708,718
2022	0.925900	0.240000	90,880,765
2023 (School year under audit)	0.925900	0.255180	116,263,277
1000 TOTALS			



(10) Beginning Balance 7/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2023
\$ 2,620	\$ -	\$ 15	\$ 3	\$ (980)	\$ 1,622
3,132	-	2	-	(115)	3,015
3,770	-	69	11	(113)	3,577
4,361	-	146	24	(424)	3,767
6,097	-	760	177	(328)	4,832
8,046	-	1,556	346	(461)	5,683
70,868	-	14,725	3,188	(45,712)	7,243
76,781	-	56,835	12,350	(234)	7,362
103,163	-	70,645	18,312	4	14,210
-	1,374,343	1,032,035	284,438	(3,779)	54,091
<u>\$ 278,838</u>	<u>\$ 1,374,343</u>	<u>\$ 1,176,788</u>	<u>\$ 318,849</u>	<u>\$ (52,142)</u>	<u>\$ 105,402</u>



MCLEAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,500	\$ 20,500	\$ 16,550	\$ (3,950)
5800 State Program Revenues	5,139	5,139	5,988	849
5900 Federal Program Revenues	87,000	112,000	128,282	16,282
5020 Total Revenues	112,639	137,639	150,820	13,181
EXPENDITURES:				
Current:				
0035 Food Services	166,004	201,004	192,976	8,028
6030 Total Expenditures	166,004	201,004	192,976	8,028
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,365)	(63,365)	(42,156)	21,209
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	53,365	63,365	42,156	(21,209)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -



MCLEAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2023

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 214,000	\$ 214,000	\$ 326,733	\$ 112,733
5800 State Program Revenues	-	-	4,421	4,421
5020 Total Revenues	214,000	214,000	331,154	117,154
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	180,000	180,000	180,000	-
0072 Interest on Long-Term Liabilities	33,000	33,000	33,000	-
0073 Bond Issuance Cost and Fees	1,000	1,000	806	194
6030 Total Expenditures	214,000	214,000	213,806	194
1200 Net Change in Fund Balances	-	-	117,348	117,348
0100 Fund Balance - July 1 (Beginning)	107,290	107,290	107,290	-
3000 Fund Balance - June 30 (Ending)	\$ 107,290	\$ 107,290	\$ 224,638	\$ 117,348



MCLEAN INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	196,966
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	260,876
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Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
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AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	2,475
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AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year.	1,837
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JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
McLean Independent School District
McLean, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **McLean Independent School District** (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson & Sheldon PLLC

Johnson & Sheldon, PLLC
Amarillo, Texas
November 16, 2023



**MCLEAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023**

I. Summary of the Auditor's Results:

1. The type of report issued on the basic financial statements was an unmodified opinion.
2. There were no significant deficiencies in internal control disclosed by the audit of the basic financial statements and there were no material weaknesses.
3. The audit did not disclose noncompliance which is material to the basic financial statements of the District.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None noted.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023**

(Prepared by the District's Administration)

There was no requirement for a summary schedule of prior audit findings since there were no audit findings for the prior year.



**MCLEAN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
Year Ended June 30, 2023**

(Prepared by the District's Administration)

There was no requirement for a corrective action plan since there were no audit findings for the current year.



SCHOOLS FIRST QUESTIONNAIRE

McLean Independent School District

Fiscal Year 2023

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	0

