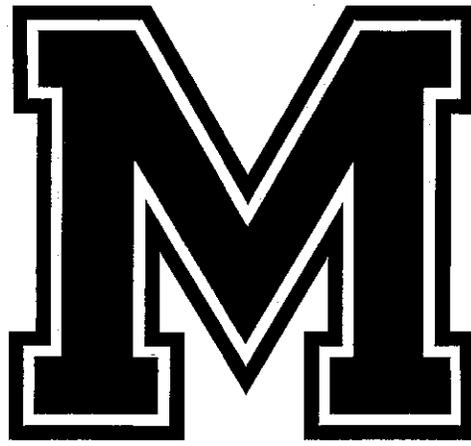


McLean County School District



Report on Audit of Financial Statements
and Supplementary Information

for the year ended June 30, 2025

ANJ | Alford
Nance &
Jones, LLP

MCLEAN COUNTY SCHOOL DISTRICT
Table of Contents
for the year ended June 30, 2025

	<u>Pages</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds.....	16
Statement of Fiduciary Net Position – Fiduciary Funds	17
Statement of Changes in Fiduciary Net Position.....	18
Notes to the Basic Financial Statements	19-50
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	51
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	52
Summary of Significant Accounting Policies for Budgetary Process	53

Continued

**MCLEAN COUNTY SCHOOL DISTRICT
Table of Contents, continued
for the year ended June 30, 2025**

Pension and Other Postemployment Benefits Schedules:

Teachers Retirement System of the State of Kentucky	54-59
County Employees Retirement System.....	60-64

Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	66
Combining Statement of Net Position – Nonmajor Enterprise Funds	67
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Enterprise Funds.....	68
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	69
Combining Schedule of Receipts, Disbursements and Fund Balances – All Activity Funds	70
Schedule of Receipts, Disbursements and Fund Balances – McLean County High School.....	71
Schedule of Expenditures of Federal Awards	72-73
Board Members and Administrative Personnel.....	74
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	75-76
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	77-78
Schedule of Findings and Questioned Costs	79-80
Management Letter.....	81-84

CERTIFIED PUBLIC ACCOUNTANTS

44 Union Street, Madisonville, KY 42431 Tel.: 270-825-4578 F: 270-821-3521
INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
McLean County School District
Calhoun, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the McLean County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the McLean County School 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, the business-type activities, each major fund, and the aggregate remaining fund information of the McLean County School District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 McLean County School 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.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) No. 101 Compensated Absences during the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

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 McLean County School District's ability to continue as a going concern for twelve 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 assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 McLean County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significance 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 McLean County School 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, budgetary comparison information, pension schedules, and other post-employment benefit schedules on pages 3 through 7 and pages 51 through 64 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

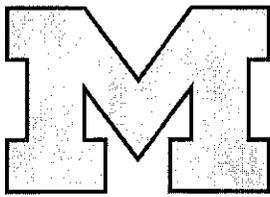
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McLean County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 were 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 and the schedule of expenditures of federal awards 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 January 20, 2026, on our consideration of the McLean County School 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 McLean County School 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 McLean County School District's internal control over financial reporting and compliance.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP
January 20, 2026



McLEAN COUNTY PUBLIC SCHOOL DISTRICT – CALHOUN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025

As management of the McLean County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The General Fund balance for the District was \$4,519,027 at the beginning of the year. The ending balance for the General Fund for the District was \$4,564,267. This represents a current year excess of Revenue over Expenditures of \$45,240.
- Excluding beginning balance, inter-fund transfers, and on-behalf of payments made by the state, the General Fund had \$11,533,178 in revenue, which primarily consisted of the state program (SEEK), property taxes, utility taxes, and motor vehicle taxes. Excluding inter-fund transfers and on-behalf of payments, there was \$11,215,278 in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our childcare, food service operations and community education. All other activities of the District are included in the governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceed liabilities and deferred inflows by \$3,951,484 as of June 30, 2025.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; 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.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position - Comparative for the periods ending June 30, 2025 and June 30, 2024

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Current Assets	\$9,193,331	\$9,778,338	\$794,098	\$563,044	\$9,987,429	\$10,341,382
Noncurrent Assets	<u>15,814,481</u>	<u>12,100,480</u>	<u>213,315</u>	<u>38,477</u>	<u>16,027,796</u>	<u>12,138,957</u>
Total Assets	25,007,812	21,878,818	1,007,413	601,521	26,015,225	22,480,339
Total Deferred Outflows	2,555,596	3,331,874	260,357	341,596	2,815,953	3,673,470
Current Liabilities	1,795,836	1,924,318	65,831	17,393	1,861,667	1,941,711
Noncurrent Liabilities	<u>18,254,929</u>	<u>16,513,612</u>	<u>869,098</u>	<u>875,903</u>	<u>19,124,027</u>	<u>17,389,515</u>
Total Liabilities	20,050,765	18,437,930	934,929	893,296	20,985,694	19,331,226
Total Deferred Inflows	3,454,599	4,238,955	439,401	538,516	3,894,000	4,777,471
Net Position						
Investment in capital assets (net of debt)	2,336,258	4,614,620	188,342	19,792	2,524,600	4,634,412
Restricted	3,412,400	3,867,419			3,412,400	3,867,419
Unrestricted Assets	<u>(1,690,614)</u>	<u>(5,948,232)</u>	<u>(294,902)</u>	<u>(508,487)</u>	<u>(1,985,516)</u>	<u>(6,456,719)</u>
Total Net Position	<u>\$4,058,044</u>	<u>\$2,533,807</u>	<u>(\$106,560)</u>	<u>(\$488,695)</u>	<u>\$3,951,484</u>	<u>\$2,045,112</u>

Comments

- The District's total revenues for the fiscal year ended June 30, 2025, net of inter-fund transfers, were \$22,473,892. The District's total expenditures for the same period were \$20,489,699. Revenues exceeded expenditures by \$1,984,193.
- Instruction was the major expenditure category and accounted for 53% of total expenditures. Plant operation and maintenance was the next highest expenditure at 10%.

Revenues - Comparative for the periods ending June 30, 2025 and June 30, 2024

Revenues:	Governmental Activities		Business-Type Activities		Total	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Property Tax	\$3,577,137	\$3,375,764			\$3,577,137	\$3,375,764
Motor Vehicle Tax	523,851	699,882			523,851	699,882
Unmined Mineral Tax	54,230	97,435			54,230	97,435
Utilities Tax	681,998	653,097			681,998	653,097
Other Tax						
Investments	334,308	352,095	26,610	15,430	360,918	367,525
Other Local Revenue	584,441	646,410			584,441	646,410
Insurance Proceeds						
Disposal of District Assets	6,800	3,299			6,800	3,299
State and Formula Grants	10,772,508	10,193,502			10,772,508	10,193,502
Program Revenues:						
Charges for Services	94,703	108,882	51,933	71,772	146,636	180,654
Operating grants and contributions	2,970,443	2,475,927	1,815,277	1,446,537	4,785,720	3,922,464
Capital grants and contributions	979,653	898,121			979,653	898,121
Total revenues	\$20,580,072	\$19,504,414	\$1,893,820	\$1,533,739	\$22,473,892	\$21,038,153

Expenses - Comparative for the periods ending June 30, 2025 and June 30, 2024

Expenses:	June 30, 2025	June 30, 2024
Governmental Activities:		
Instruction	\$10,945,977	\$10,892,000
Student Support Services	1,054,227	802,626
Instructional Staff Support	778,572	729,613
District Administration	828,708	848,815
School Administration	1,338,779	1,305,296
Business Support	484,832	486,116
Plant Operation & Maintenance	2,085,447	2,075,702
Student Transportation	886,515	909,224
Facilities Acquisition and Construction	0	0
Food Service	0	4,000
Day Care Operations	38,975	33,545
Community Service Activities	148,990	151,517
Depreciation		
Interest on Long-term Debt	401,952	326,570
Amortization of Bond Costs		
Business-Type Activities:		
Food Service	1,491,804	1,297,366
Child Care Services	4,871	5,134
Community Education Services	50	0
Total expenses	\$20,489,699	\$19,867,524

Comments on General Fund Budget Comparisons

- The District's General Fund Revenues, net of inter-fund transfers and asset sales, for the fiscal year ended June 30, 2025 totaled \$15,897,821. This is \$5,314,321 more than the \$10,583,500 of revenue that was budgeted in the final working budget. The primary reason for the difference is that GAAP requires our audit to include state contributions to our employee's retirement, health and life insurance. This is called "On-Behalf" revenue. These funds are not sent directly to the District and are not included in the District's budget. The "On-Behalf" contribution for the fiscal year ended June 30, 2025 was \$4,371,441.

The following tables present a comparative summary of revenues and expenses of the General Fund for the fiscal year ended June 30, 2025 and June 30, 2024.

General Fund Revenues:	June 30, 2025	June 30, 2024
Local Revenue Sources:	\$5,047,823	\$4,786,635
Property Tax	\$3,225,324	\$3,031,306
Motor Vehicle Tax	523,851	699,882
Unmined Mineral Tax	54,230	97,435
Utilities Tax	681,998	653,097
Investment Earnings	266,540	283,937
Contributions	265,000	100
Other Local Revenues	30,880	20,878
State Aide	10,772,508	10,193,977
Federal Aide	77,490	108,882
Total General Fund Revenues	\$15,897,821	\$15,089,494

General Fund Expenditures:	June 30, 2025	June 30, 2024
Instruction	\$8,851,351	\$8,628,144
Student Support Services	730,231	708,500
Instructional Staff Support	644,351	484,478
District Administration	748,151	778,621
School Administration	1,411,022	1,353,624
Business Support	457,573	457,389
Plant Operation & Maintenance	1,827,700	1,664,119
Student Transportation	894,426	864,075
Central Office Support		
Community Support		
Bond Principal (KISTA)		
Bond Interest (KISTA)		
Total expenditures	\$15,564,805	\$14,938,950

General Fund Allocation

Approximately 62% of the general fund expenditures went towards instruction and student support in FY 2025. Site Based Decision Making Councils give direction over some of these expenditures.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. For the Fiscal Year 2024-2025, the District budgeted \$2,638,309 in contingency, which calculates to approximately 17% of the General Fund and Food Service Fund budgets.

The District currently participates in several federal and state grants. Many of these grants are funded on a reimbursement basis. This requires the District to pay the expenses of the grant and then apply for reimbursement. This leaves the District showing a negative end of the month balance in our Special Revenue Account several months throughout the year.

It is extremely important that the District continue to budget conservatively. The District receives approximately 55% of its annual General Fund receipts through the SEEK formula. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state's revenue falls below its own revenue projections, an adjustment will be made in the funding formula. The District should be prepared for such reductions in funding.

Approximately 33% of the District's annual General Fund receipts come from local property taxes. The majority of this revenue does not come to the District until the fifth month of the fiscal year. The General Fund's beginning balance is used to absorb much of the first four months expenditures. Provisions must be made to have a significant beginning balance to start the year.

Contacting the District

Questions regarding this report should be directed to Tommy Burrough, Superintendent or to Katie Evans, CFO located at 410 HWY 136 E, Post Office Box 245, Calhoun, KY 42327, by phone at (270) 273-5257 or by e-mail at tommy.burrough@mclean.kyschools.us or Katie.evans3@mclean.kyschools.us.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025**

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets			
Cash and cash equivalents	\$4,569,634	\$542,726	\$5,112,360
Inventory		86,970	86,970
Receivables:			
Taxes	177,316		177,316
Accounts receivable	67,245	214	67,459
Intergovernmental – State	23,386		23,386
Intergovernmental – Federal	223,914		223,914
Intergovernmental – Indirect federal		164,188	164,188
Restricted cash	<u>4,131,836</u>		<u>4,131,836</u>
Total current assets	<u>9,193,331</u>	<u>794,098</u>	<u>9,987,429</u>
Noncurrent Assets			
Capital assets, net of accumulated depreciation	15,717,202	188,342	15,905,544
Net OPEB asset	<u>97,279</u>	<u>24,973</u>	<u>122,252</u>
Total noncurrent assets	<u>15,814,481</u>	<u>213,315</u>	<u>16,027,796</u>
Total assets	<u>25,007,812</u>	<u>1,007,413</u>	<u>26,015,225</u>
Deferred Outflows of Resources			
Deferred outflows from retirement contributions	748,211	192,081	940,292
Deferred outflows from OPEB contributions	1,788,267	68,276	1,856,543
Deferred savings from refunding bonds	<u>19,116</u>		<u>19,118</u>
Total Deferred Outflows of Resources	<u>2,555,596</u>	<u>260,357</u>	<u>2,815,953</u>
Liabilities			
Current Liabilities			
Accounts payable	44,886	38,209	83,095
Retainage payable	104,399		104,399
Unearned revenue	302,207	11,171	313,378
Payable from restricted assets	261,824		261,824
Accrued interest	117,478		117,478
Current portion of bond obligations	800,000		800,000
Current portion of compensated absences	<u>165,042</u>	<u>16,451</u>	<u>161,493</u>
Total current liabilities	<u>1,795,836</u>	<u>65,831</u>	<u>1,861,667</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	12,120,629		12,120,629
Noncurrent portion of compensated absences	541,379	6,541	547,920
Net OPEB liability	2,233,000	0	2,233,000
Net pension liability	<u>3,359,921</u>	<u>862,557</u>	<u>4,222,478</u>
Total noncurrent liabilities	<u>18,254,929</u>	<u>869,098</u>	<u>19,124,027</u>
Total liabilities	<u>20,050,765</u>	<u>934,929</u>	<u>20,985,694</u>
Deferred Inflows of Resources			
Deferred inflows from OPEB contribution	2,786,736	287,948	3,054,686
Deferred inflows from retirement contribution	<u>667,861</u>	<u>171,453</u>	<u>839,314</u>
Total Deferred inflows	<u>3,454,599</u>	<u>439,401</u>	<u>3,894,000</u>
Net Position			
Net investment in capital assets	2,336,258	188,342	2,524,600
Restricted for:			
Capital projects/debt service	3,412,400		3,412,400
Unrestricted	<u>(1,690,614)</u>	<u>(294,902)</u>	<u>(1,985,516)</u>
Total net position	<u>\$4,058,044</u>	<u>(\$106,580)</u>	<u>\$3,951,464</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$10,945,977	\$ 94,703	\$ 2,142,281				
Support services:							
Student	1,054,227		160,831		(893,396)		(893,396)
Instruction staff	778,572		162,294		(616,278)		(616,278)
District administrative	828,708		103,143		(725,565)		(725,565)
School administrative	1,338,779		0		(1,338,779)		(1,338,779)
Business	484,832		44,344		(440,488)		(440,488)
Plant operation and maintenance	2,085,447		85,342		(2,000,105)		(2,000,105)
Student transportation	886,515		62,538		(823,977)		(823,977)
Facilities acquisition and construction	-		-	\$ 553,127	553,127		553,127
Food service	-		-		-		-
Day care operations	38,975		45,273		6,298		6,298
Community service activities	148,990		164,397		15,407		15,407
Interest on long-term debt	401,952			426,526	24,574		24,574
Total governmental activities	18,992,974	94,703	2,970,443	979,653	(14,948,175)	-	(14,948,175)
Business-Type Activities:							
Food service	1,491,804	45,981	1,815,277		\$ 369,454		369,454
Child care	4,871	5,952			1,081		1,081
Community education	50	-			(50)		(50)
Total business-type activities	1,496,725	51,933	1,815,277	-	370,485	370,485	370,485
Total primary government	\$20,489,699	\$146,636	\$4,785,720	\$979,653	(14,948,175)	370,485	(14,577,690)
General Revenues:							
Taxes:							
					3,577,137		3,577,137
Property taxes					523,851		523,851
Motor vehicle taxes					54,230		54,230
Unmined mineral taxes					681,998		681,998
Utility taxes					334,308	26,610	360,918
Investment earnings					584,441		584,441
Other local revenue					6,800		6,800
Disposal of assets					10,772,508		10,772,508
State and formula grants							
Total general revenues					16,535,273	26,610	16,561,883
Transfers					-	-	-
Change in net position					1,587,098	397,095	1,984,193
Net position - beginning					2,533,807	(488,695)	2,045,112
Change in accounting principle					(62,861)	(14,960)	(77,821)
Net position - beginning restated					2,470,946	(503,655)	1,967,291
Net position - ending					4,058,044	(106,560)	3,951,484

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 4,569,634				\$ 4,569,634
Receivables:					
Taxes	177,316				177,316
Accounts receivable	67,245			\$ -	67,245
Intergovernmental - State					0
Intergovernmental - Federal		223,914			223,914
Intergovernmental - Indirect federal					0
Due from other funds					0
Deposit					0
Restricted cash		38,293	2,856,842	1,236,701	4,131,836
Total assets	\$ 4,814,195	\$ 262,207	\$ 2,856,842	\$ 1,236,701	\$ 9,169,945
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 44,886			\$ -	\$ 44,886
Retainage payable			\$ 104,399		104,399
Due to other funds					0
Current portion of compensated absences	165,042				165,042
Unearned revenue	40,000	262,207			302,207
Payable from restricted assets			261,824	-	261,824
Total liabilities	249,928	262,207	366,223	0	878,358
Fund Balances					
Restricted for:					
Capital projects			2,490,619	921,781	3,412,400
Committed:					
SBDM	95,000				95,000
Pavement sealing and repair	250,000				250,000
Vehicles	300,000				300,000
Assigned to:					
Student activities				314,920	314,920
Unassigned:					
General Fund	3,919,267				3,919,267
Total fund balances	4,564,267	-	2,490,619	1,236,701	8,291,587
Total liabilities and fund balances	\$ 4,814,195	\$ 262,207	\$ 2,856,842	\$ 1,236,701	\$ 9,169,945

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total fund balance per fund financial statements		\$ 8,291,587
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		15,717,202
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position. Accrued interest receivable - Intergovernmental State		23,386
Long-term liabilities are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position. Accrued interest Bond obligations Noncurrent portion of compensated absences Deferred savings on refunding Net pension liability Net OPEB liability(asset) - CERS Net OPEB liability - TRS	(117,478) (12,920,629) (541,379) 19,118 (3,359,921) 97,279 <u>(2,233,000)</u>	 (19,056,010)
Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds but are deferred in the statement of net position Pension deferred outflows OPEB deferred outflows Pension deferred inflows OPEB deferred inflows	 748,211 1,788,267 (667,861) <u>(2,786,738)</u>	 (918,121)
Net position for governmental activities		\$ 4,058,044

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$3,225,324			\$351,813	\$3,577,137
Motor vehicle	523,851				523,851
Unmined mineral	54,230				54,230
Utilities	681,998				681,998
Earnings on investments	266,540		\$67,768	-	334,308
Contributions	265,000	314,883		18,336	598,219
Other local revenues	30,880			552,438	583,318
Intergovernmental - State	10,772,508	813,220		979,653	12,565,381
Intergovernmental - Indirect federal		1,468,830			1,468,830
Intergovernmental - Direct federal	77,490	108,510			186,000
Total revenues	15,897,821	2,705,443	67,768	1,902,240	20,573,272
Expenditures:					
Current:					
Instruction	8,851,351	1,758,389		566,772	11,176,512
Support services:					
Student	730,231	160,831			891,062
Instruction staff	644,351	162,294			806,645
District administrative	748,151	103,143			851,294
School administrative	1,411,022	-			1,411,022
Business	457,573	44,344			501,917
Plant operation and maintenance	1,827,700	85,342		-	1,913,042
Student transportation	894,426	62,538			956,964
Food Service					-
DayCare Operations		45,273			45,273
Community service activities		184,397			164,397
Capital outlay:					
Facilities acquisition and construction			4,277,608		4,277,608
Debt service:					
Principal				760,000	760,000
Interest				332,284	332,284
Issuance costs			44,190		44,190
Total expenditures	15,564,805	2,586,551	4,321,798	1,659,056	24,132,210
Excess (deficiency) of revenues over (under) expenditures	333,016	118,892	(4,254,030)	243,184	(3,558,938)
Other Financing Sources (Uses)					
Proceeds from bond issues			3,210,000		3,210,000
Bond premium (discounts)			(63,639)		(63,639)
Sale of assets	6,800				6,800
Transfers in	4,424	299,000	413,468	699,102	1,415,994
Transfers out	(299,000)	(417,892)		(699,102)	(1,415,994)
Total other financing sources (uses)	(287,776)	(118,892)	3,559,829	0	3,153,161
Net change in fund balance	45,240	-	(694,201)	243,184	(405,777)
Fund balance, Beginning	4,519,027	-	3,184,820	993,517	8,697,364
Fund balance, Ending	\$4,564,267	-	2,490,619	\$1,236,701	\$8,291,587

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net change in total fund balances per fund financial statements		\$ (405,777)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense is more than capital outlays for the year.		
Capital outlays	4,525,891	
Depreciation Expense	<u>(828,812)</u>	3,697,079
The net effect of various transactions involving capital assets (i.e. sales, donations) is to increase or (decrease) net assets.		
The proceeds from the issuance of bonds provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.		
		(3,210,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Increase in accrued interest receivable		(318)
Bond call premiums and discounts are reported as expenditures in fund financial statement because they are current financial resources but they are presented as assets in the statement of activities and amortized over the remaining life of the bonds.		
		(14,730)
Certain accruals do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements.		
Increase in accrued compensated absences	(76,518)	
Increase in accrued interest payable	(10,430)	
Decrease in pension expense	252,377	
Decrease in OPEB expense	<u>531,776</u>	697,205
Payments to bond escrow agents are recognized as other financing uses in the fund financial statements, but are reductions in liabilities in the statement of net assets.		
		63,639
Bond payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		
Principal payments on bonds	<u>760,000</u>	760,000
Change in net position of governmental activities		<u>\$ 1,587,098</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025**

	Food Service Fund	Nonmajor Enterprise Funds	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 516,287	\$ 26,439	\$ 542,726
Inventory	86,970		86,970
Accounts receivable			
Miscellaneous	214	-	214
Intergovernmental - Indirect federal	164,188		164,188
Total current assets	<u>767,659</u>	<u>26,439</u>	<u>794,098</u>
Noncurrent assets			
Net OPEB asset	24,973		24,973
Capital assets	901,924		901,924
Less: Accumulated depreciation	(713,582)		(713,582)
Total noncurrent assets	<u>213,315</u>	<u>-</u>	<u>213,315</u>
Total Assets	<u>980,974</u>	<u>26,439</u>	<u>1,007,413</u>
Deferred Outflows of Resources			
Deferred Outflows from OPEB Contribution	68,276	-	68,276
Deferred Outflows from Pension Contribution	192,081	-	192,081
Total Deferred Outflows	<u>260,357</u>	<u>-</u>	<u>260,357</u>
Total Assets and Deferred Outflows	<u>\$1,241,331</u>	<u>\$ 26,439</u>	<u>\$ 1,267,770</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 38,209	\$ -	\$ 38,209
Due to other funds			0
Unearned revenue	11,171		11,171
Compensated Absences, current portion	16,451		16,451
Total current liabilities	<u>65,831</u>	<u>-</u>	<u>65,831</u>
Noncurrent liabilities			
Compensated absences, noncurrent portion	6,541		6,541
Net pension liability	862,557	-	862,557
Net OPEB liability		-	0
Total noncurrent liabilities	<u>869,098</u>	<u>-</u>	<u>869,098</u>
Total Liabilities	<u>934,929</u>	<u>-</u>	<u>934,929</u>
Deferred Inflows of Resources			
Deferred Inflows from OPEB Contribution	267,948	-	267,948
Deferred Inflows from Pension Contribution	171,453	-	171,453
Total Deferred Inflows	<u>439,401</u>	<u>-</u>	<u>439,401</u>
Net Position			
Net investment in capital assets	188,342	-	188,342
Unrestricted	(321,341)	26,439	(294,902)
Total Net Position	<u>(132,999)</u>	<u>26,439</u>	<u>(106,560)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$1,241,331</u>	<u>\$ 26,439</u>	<u>\$ 1,267,770</u>

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Food Service Fund	Nonmajor Enterprise Funds	Total
Operating Revenues:			
Lunchroom sales	\$45,599		\$45,599
Community service activities		\$5,952	5,952
Other operating revenues	382		382
Total operating revenues	45,981	5,952	51,933
Operating Expenses:			
Salaries and wages	519,755	-	519,755
Employee benefits	229,665	-	229,665
Purchased professional services	14,272	0	14,272
Other purchased services	6,439	131	6,570
Materials and supplies	704,413	4,790	709,203
Depreciation	17,260	-	17,260
Other operating expenses		-	-
Total operating expenses	1,491,804	4,921	1,496,725
Operating income/(loss)	(1,445,823)	1,031	(1,444,792)
Nonoperating Revenues (Expenses):			
Federal grants	1,590,879	-	1,590,879
Donated commodities	90,565	-	90,565
State grants	133,833	-	133,833
Interest income	25,411	1,199	26,610
Total nonoperating revenues (expenses)	1,840,688	1,199	1,841,887
Income (loss) before transfers	394,865	2,230	397,095
Transfers out			-
Change in net position	394,865	2,230	397,095
Net position, Beginning	(512,904)	24,209	(488,695)
Change in accounting policy	(14,960)		(14,960)
Net position, Beginning-Restated	(527,864)	24,209	(503,655)
Net position, Ending	(\$132,999)	\$26,439	(\$106,560)

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Food Service Fund	Nonmajor Enterprise Funds	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$50,815		\$50,815
Other operating activities	3,701	\$5,952	9,653
Cash paid to/for:			
Employees	(652,846)	-	(652,846)
Supplies	(620,658)	(4,865)	(625,523)
Other activities	(20,711)	(81)	(20,792)
Net cash provided (used) by operating activities	(1,239,699)	1,006	(1,238,693)
Cash Flows from Noncapital Financing Activities:			
Nonoperating grants received	1,625,335	-	1,625,335
Operating transfers-In (Out)	-	-	-
Net cash provided by noncapital financing activities	1,625,335	-	1,625,335
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(185,810)		(185,810)
Net cash used from capital and related financing activities	(185,810)		(185,810)
Cash Flows from Investing Activities			
Receipt of interest income	25,411	1,199	26,610
Net cash from investing activities	25,411	1,199	26,610
Net increase (decrease) in cash and cash equivalents	225,237	2,205	227,442
Balances, beginning of year	291,050	24,234	315,284
Balances, end of year	\$516,287	\$26,439	\$542,726
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$1,445,823)	\$1,031	(\$1,444,792)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	17,260		17,260
On behalf payments	126,052		126,052
Commodities received	90,565		90,565
Change in assets and liabilities			
Receivables	3,319		3,319
Inventory	(33,606)		(33,606)
Accounts payable	26,796	(25)	26,771
Accrued payroll and related expense	532		532
Unearned revenue	5,216		5,216
Net pension / OPEB liability and deferrals	(30,010)		(30,010)
Net cash provided (used) by operating activities	(\$1,239,699)	\$1,006	(\$1,238,693)
Schedule of non-cash transactions:			
Donated commodities received from Federal government	\$90,565		
Benefits paid by the state of Kentucky on behalf of District	\$126,052		

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025**

	Scholarship Private Purpose Trust Funds
Assets	
Cash and cash equivalents	\$771,851
Accounts receivable	-
Total assets	771,851
 Liabilities	
Accounts payable	-
Total liabilities	-
 Net Position	
Held in trust for private purpose	\$771,851

The accompanying notes are an integral part of these financial statements.

**MCLEAN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Scholarship Private Purpose Trust Funds
Additions	
Contributions:	
Private donations	\$ 5,340
Net Investment income (loss)	39,475
	44,815
Total additions	44,815
Deductions	
Scholarship awards	45,600
Change in net position before transfers	(785)
Transfers in	—
Change in net position	(785)
Net position, beginning	772,636
Net position, ending	\$771,851

The accompanying notes are an integral part of these financial statements.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

1. Reporting Entity

The McLean County Board of Education (Board), a five member group, is a level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the McLean County School District (District). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity, as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the McLean County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The McLean County School District has one blended component unit.

Blended Component Unit:

McLean County School District Finance Corporation - In 1989, the McLean County, Kentucky, Board of Education resolved to authorize the establishment of the McLean County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the McLean County Board of Education also comprise the Corporation's Board of Directors.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.
 - c) The School Activity Fund is used to account for funds raised and expended by student groups to support co-curricular and extra-curricular activities. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

Governmental Fund Types, continued

- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund).
 - (a) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and for the corresponding debt service.
 - (b) Facility Support Program (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and for the corresponding debt service.
 - (c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has three enterprise funds: the School Food Service Fund, Child Care Fund and the Community Education Fund.

- 1) The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Community Education Fund is used to account for activities and/or classes offered to the community.
- 3) The Child Care Fund is used to account for activities in the District's three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The Private Purpose Trust Funds are used to account for separate scholarship funds. All resources of these funds may be used to award scholarships in the areas specified in the trust arrangements.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include; (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

(c) Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(d) Cash and Cash Equivalents/Restricted Cash/Investments

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements, in debt service funds per debt agreements and in the District Activity Fund and School Activity Fund per fund requirements. (See Notes 4 and 5)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 1, Level 2 or Level 3 inputs.

(e) Inventories/Commodities

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. For the purposes of the statement of cash flows, federal grants received do not include noncash commodities received in the amount of \$90,565.

(f) Accrued Liabilities/Long-Term Obligations/Deferred Outflows of Resources

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are recorded as deferred outflows of resources (deferred savings from refunding bonds) in the government-wide financial statements and amortized on a straight-line basis over the life of the bonds.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(f) Accrued Liabilities/Long-Term Obligations/Deferred Outflows of Resources, continued

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of lease obligations, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

(g) Net Position and Fund Balance

District-Wide Financial Statements

Net position on the Statement of Net Position includes the following:

Net investment in capital assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The component of net position that reports the financial resources restricted to pay for construction activities or related debt service.

Unrestricted – The difference between the assets and liabilities that is not reported in Net investment in Capital Assets, and Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. The District did not have a nonspendable fund balance at June 30, 2025.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the District had \$380,981 restricted in the FSPK Fund, and \$540,800 restricted in the SEEK Capital Outlay Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. At June 30, 2025, the District had \$95,000 committed as carryover for SBDM, \$250,000 for pavement sealing and repairs, and \$300,000 toward future vehicle purchases.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(g) Net Position and Fund Balance, continued

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which results in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had \$314,920 assigned in the District Activity Fund and Student Activity Fund.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(h) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(i) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(j) Compensated Absences

The McLean County School District allows employees to accumulate and carry over sick days from year to year. The maximum number of days which may be earned per year is ten days, A maximum of three personal days may be added to the sick days carryover each year. The accumulated amount of days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive thirty percent (30%) of the value of accumulated sick leave. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal days. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to certified employees with twenty or more years of experience and classified employees with ten or more years of experience.

The entire compensated absences liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of compensated absence is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absence" in the general fund. The noncurrent portion of the liability is not reported at the fund level.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(k) Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(l) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("TRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, 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.

(m) Other Postemployment Benefits - (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from CER's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. For this purpose, 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

(n) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net 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 future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2025. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

2. Summary of Significant Accounting Policies, continued

(n) Deferred Outflows of Resources and Deferred Inflows of Resources, continued

Deferred Inflows of Resources

In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

(o) Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2025. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

(p) Allowance for Doubtful Accounts

The District does not record an allowance for doubtful accounts because there have been no uncollectible accounts in previous years.

(q) New Accounting Standard

GASB Statement No. 101, Compensated Absences, was issued in June 2022 and is effective for fiscal years beginning after December 15, 2023. This statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

3. Property Taxes

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the McLean County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 62.1 cents per \$100 of assessed valuation on real estate and 62.1 cents per \$100 on tangible property, of which 6.3 cents is for participation in the Facility Support Program, and 51.5 cents per \$100 of assessed valuation on motor vehicles.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

4. Deposits

At June 30, 2025, the carrying amount of the District's deposits was \$10,016,047 and the bank balance was \$10,584,014. Of the bank balances, \$256,963 was insured by federal depository insurance and \$10,327,051 was covered by collateral held by the pledging bank's agent.

The District's deposits at June 30, 2025 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Independence Bank	\$ 10,577,051	\$ 10,009,084
Sacramento Deposit Bank	6,963	6,963
	<u>\$ 10,584,014</u>	<u>\$ 10,016,047</u>
 Restricted cash		 (4,903,687)
 Unrestricted cash and cash equivalents		 <u>\$ 5,112,360</u>
Unrestricted reported in the financial statements:		
Governmental funds - Cash and cash equivalents		\$ 4,569,634
Proprietary funds		542,726
		<u>\$ 5,112,360</u>

5. Restricted Cash

Restricted cash at June 30, 2025 consists of the following:

Special Revenue	\$ 38,293
FSPK (for capital projects)	380,981
SEEK Capital Outlay	540,800
Construction Fund	2,856,842
District Activity Funds	143,891
Student Activity Funds	171,029
	<hr/>
Restricted cash in Governmental funds	\$ 4,131,836
Restricted cash in Scholarship Private Purpose fund	<u>771,851</u>
Total Restricted cash	<u>\$ 4,903,687</u>

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

6. Capital Assets

During the year ended June 30, 2025, the following changes occurred in capital assets:

<u>Governmental Activities:</u>	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Not depreciated:				
Land	\$ 65,267	\$ -	\$ -	\$ 65,267
Construction in progress	1,117,464	4,277,608		5,395,072
Total not being depreciated	<u>1,182,731</u>	<u>4,277,608</u>	<u>-</u>	<u>5,460,339</u>
Depreciated:				
Land improvements	1,392,363	21,942		1,414,305
Buildings and improvements	28,035,898			28,035,898
Technology equipment	1,580,995			1,580,995
Vehicles	2,298,588	64,457	41,355	2,321,690
General	837,250	161,885		999,135
Total being depreciated	<u>34,145,094</u>	<u>248,284</u>	<u>41,355</u>	<u>34,352,023</u>
Less: accumulated depreciation				
Land improvements	1,063,752	30,959		1,094,711
Buildings and improvements	17,951,922	704,855		18,656,777
Technology equipment	1,580,995			1,580,995
Vehicles	2,048,359	63,174	41,355	2,070,178
General	662,674	29,825		692,499
Total accumulated depreciation	<u>23,307,702</u>	<u>828,813</u>	<u>41,355</u>	<u>24,095,160</u>
Depreciated assets, net	<u>10,837,392</u>	<u>(580,529)</u>	<u>-</u>	<u>10,256,863</u>
Governmental Activities Capital Assets - Net	<u>\$ 12,020,123</u>	<u>\$ 3,697,079</u>	<u>\$ -</u>	<u>\$ 15,717,202</u>
<u>Business-Type Activities:</u>				
Depreciated:				
Food service equipment	\$ 737,822	\$ 185,810	\$ 40,054	\$ 883,578
Technology equipment	18,347			18,347
Total being depreciated	<u>756,169</u>	<u>185,810</u>	<u>40,054</u>	<u>901,925</u>
Less: accumulated depreciation				
Food service equipment	718,030	17,260	40,054	695,236
Technology equipment	18,347			18,347
Total accumulated depreciation	<u>736,377</u>	<u>17,260</u>	<u>40,054</u>	<u>713,583</u>
Business-Type Activities Capital Assets - Net	<u>\$ 19,792</u>	<u>\$ 168,550</u>	<u>\$ -</u>	<u>\$ 188,342</u>

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

6. Capital Assets, continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$	220,351
Support services:		
Student		-
Instruction support services		-
District administration		2,655
School administration		790
Business		-
Plant operation and maintenance		544,842
Student transportation		59,996
Community service activities		<u>179</u>
 Total depreciation expense	 \$	 <u><u>828,813</u></u>

7. Long-Term Debt

Bonds

The District issues debt to provide funds for the acquisition and construction of major capital facilities and improvements. The purpose, original amounts, issue dates, and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of June 2012	1,410,000	1.05% - 3.30%
Issue of July 2014	2,020,000	2.20 % - 4.00%
Refunding Issue of March 2015	1,185,000	2.00% - 2.50%
Issue of June 2015	1,505,000	2.00% - 3.50%
Issue of April 2017	650,000	3.50%
Refunding Issue of September 2017	1,470,000	2.00% - 2.375%
Issue of May 2021	1,320,000	2.00% - 2.375%
Issue of February 2024	4,165,000	4.00%
Issue of June 2025	3,210,000	3.40% - 4.55%

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

7. Long-Term Debt, continued

Bonds, continued

McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2012, dated June 1, 2012 in the amount of \$1,410,000 were issued for the purpose of financing HVAC replacement at the Livermore Elementary School. The KFSCC is liable for 100% of the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2014 dated July 1, 2014 in the amount of \$2,020,000 were issued for the purpose of financing roof improvements at the McLean County High School. The KFSCC is participating in approximately 78% of the debt service of the Bonds.

McLean County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2015, dated March 1, 2015 in the amount of \$1,185,000, were issued for the purpose of refunding the McLean County School District Finance Corporation School, Series 2005 and 2006 Bonds. The KSFCC is participating in approximately 69% of the debt service of the bonds. Net proceeds of \$1,148,417 were placed in an escrow account from which investments were purchased for the purpose of generating resources for the future debt service payments on \$1,090,000 of refunded debt. As a result, \$360,000 and \$730,000 of the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2005 and 2006 respectively, are considered to be defeased and the liability has been removed from the long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next eleven year by \$78,776 and resulted in an economic gain of \$63,159.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2015, dated June 1, 2015 in the amount for \$1,505,000 were issued for the purpose of financing the purchase and renovation of a central office. The KFSCC is not participating in the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2017, dated April 1, 2017 in the amount of \$650,000 were issued for the purpose of financing the roof and HVAC replacement at Livermore Elementary. The KFSCC is participating in approximately 53% of the debt service of the bonds.

McLean County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2017, dated September 14, 2017 in the amount of \$1,470,000, were issued for the purpose of refunding the McLean County School District Finance Corporation School, Series 2008 Bonds. The KSFCC is participating in approximately 46% of the debt service of the bonds. Net proceeds of \$1,425,630 were placed in an escrow account from which SLGS were purchased for the purpose of generating resources for the future debt service payments on \$1,405,000 of refunded debt. As a result, \$1,405,000 of the McLean County School District Finance Corporation School Building Revenue Bonds, Series of 2008 are considered to be defeased and the liability has been removed from the long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$100,424 and resulted in an economic gain of \$90,174.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2021, dated March 23, 2021 in the amount of \$1,320,000 were issued for the purpose of financing the improvements at Calhoun Elementary. The KFSCC is participating in approximately 28% of the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds, Series 2024, dated February 28, 2024 in the amount for \$4,165,000 were issued for the purpose of the construction and renovation of the McLean County High School athletic field house, track and paving. The KFSCC is not participating in the debt service of the bonds.

McLean County School District Finance Corporation School Building Revenue Bonds Series 2025, dated June 11, 2025 in the amount for \$3,210,000 were issued for the purpose of the replacing McLean County High School's HVAC.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

7. Long-Term Debt, continued

Participation Agreements

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues (see note 14).

Maturities

The annual debt service requirements to maturity for bonds payable, as of June 30, 2025 are as follows:

YEAR	McLean County School District		School Facility Construction Commission		Total		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2025-26	422,061	355,455	377,939	101,047	800,000	456,502	1,256,502
2026-27	398,822	348,453	361,178	91,963	760,000	440,416	1,200,416
2027-28	409,278	337,709	305,722	82,690	715,000	420,399	1,135,399
2028-29	403,971	325,977	236,029	73,794	640,000	399,771	1,039,771
2029-30	421,395	312,428	243,605	66,218	665,000	378,646	1,043,646
2030-31	433,206	297,817	251,794	58,029	685,000	355,846	1,040,846
2031-32	449,105	282,624	260,895	48,927	710,000	331,551	1,041,551
2032-33	465,836	266,366	179,164	39,491	645,000	305,857	950,857
2033-34	481,435	249,373	183,565	32,784	665,000	282,157	947,157
2034-35	497,639	232,156	162,361	26,426	660,000	258,582	918,582
2035-36	476,605	214,872	78,395	22,185	555,000	237,057	792,057
2036-37	494,005	196,997	80,995	19,585	575,000	216,582	791,582
2037-38	510,486	178,364	59,514	16,848	570,000	195,212	765,212
2038-39	528,498	158,927	61,502	14,861	590,000	173,788	763,788
2039-40	551,362	138,501	63,638	12,724	615,000	151,225	766,225
2040-41	569,143	117,131	65,857	10,506	635,000	127,637	762,637
2041-42	580,747	95,126	44,253	8,205	625,000	103,331	728,331
2042-43	603,864	71,445	46,136	6,324	650,000	77,769	727,769
2043-44	631,846	46,582	48,154	4,306	680,000	50,888	730,888
2044-45	469,740	20,551	50,260	2,199	520,000	22,750	542,750
\$	9,799,044	\$ 4,246,854	\$ 3,160,956	\$ 739,112	\$ 12,960,000	\$ 4,985,966	\$ 17,945,966

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

7. Long-Term Debt, continued

During the year ended June 30, 2025, the following changes occurred in the long-term debt:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Government activities					
Bonds:					
Issue of June 2012	655,000	-	75,000	580,000	75,000
Issue of July 2014	1,310,000	-	95,000	1,215,000	105,000
Issue of Mar 2015	385,000	-	165,000	220,000	160,000
Issue of June 2015	1,370,000	-	95,000	1,275,000	100,000
Issue of April 2017	515,000	-	35,000	480,000	35,000
Issue of September 2017	890,000	-	215,000	675,000	220,000
Issue of May 2021	1,220,000	-	60,000	1,160,000	60,000
Issue of February 2024	4,165,000	-	20,000	4,145,000	10,000
Issue of June 2025	-	3,210,000		3,210,000	35,000
Total bonds	<u>10,510,000</u>	<u>3,210,000</u>	<u>760,000</u>	<u>12,960,000</u>	<u>800,000</u>
Premiums (Discounts)	19,940	(63,638)	(4,327)	(39,371)	
	<u>10,529,940</u>	<u>3,146,362</u>	<u>755,673</u>	<u>12,920,629</u>	
Compensated absences - restated	640,861	65,560 (a)		706,421	165,042
Net pension liability	3,734,672		374,751	3,359,921	-
Net CERS OPEB liability(asset)	(80,357)		16,922	(97,279)	-
Net TRS OPEB liability	2,607,000		374,000	2,233,000	-
	<u>\$ 17,432,116</u>	<u>\$ 3,211,922</u>	<u>\$ 1,521,346</u>	<u>\$ 19,122,692</u>	<u>\$ 965,042</u>
Business-type activities					
Compensated absences - restated	\$ 22,460	532	-	\$ 22,992	\$ 16,451
Net pension liability	868,403	-	5,846	862,557	-
Net OPEB liability(asset)	(18,685)		6,288	(24,973)	-
	<u>\$ 872,178</u>	<u>\$ 532</u>	<u>\$ 12,134</u>	<u>\$ 860,576</u>	<u>\$ 16,451</u>

(a) This amount represents the net addition in compensated absences, i.e., days earned less days taken.

8. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

9. Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District can but is not required to contribute to the Plans. In addition, the District retains authority to amend or terminate these plans. During the year ended June 30, 2025, employees of the District contributed \$17,455 to 401(k) plans and \$6,000 to 403(b) plans.

10. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administering involvement and who do not perform the investing functions for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$8,380 to these plans during the year ended June 30, 2025.

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky

Plan description - Teaching-certified employees of the McLean County School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Benefits provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member’s five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions- Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008 and before January 1, 2022. For members who began participating on or after January 1, 2022, non-university members contribute 14.75%. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member’s request.

The McLean County School District’s total payroll for the year was \$10,285,234. The payroll for employees covered under TRS was \$7,905,234. For the year ended June 30, 2025, the Commonwealth contributed \$2,081,625 to TRS for the pension benefit of our participating employees. The District’s contributions to TRS for the years ending June 30, 2025, 2024 and 2023 were \$316,313, \$354,280 and \$387,707 respectively, which represent 100% of the required contributions for those employees covered by federal programs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District’s contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2025, was as follows:

District’s proportionate share of the net pension liability	\$	-
States’s proportionate share of the net pension liability associated with the District		<u>32,026,641</u>
Total	\$	<u>32,026,641</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2024, the measurement date, the State’s proportion of the TRS net pension liability associated with the District was 0.1868% percent which was a decrease of 0.0083 from it proportion measured as of June 30, 2023 (0.1951%).

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

For the year ended June 30, 2025, the District recognized on-behalf pension expense and revenue of \$2,272,535 for contributions provided by the State.

Actuarial Assumptions- The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	3.00% to 7.50%
Long-term Investment rate of return, net of pension plan investment expense & inflation	7.10%
Municipal Bond Index Rate:	
Prior Measurement Date	3.66%
Measurement Date	3.94%
Year FNP is projected to be depleted	N/A
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:	
Prior Measurement Date	7.10%
Measurement Date	7.10%
Post-Retirement Benefit Increases	1.50% annually

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the five year period ended June 30, 2020, adopted by the TRS Board on September 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Actuarial Assumptions, continued

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	38.0%	10.5%
International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.9%
High Yield Bonds	2.0%	3.8%
Additional Categories	8.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates for all fiscal years in the future. Based on those 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.

Sensitivity of the District’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State’s proportionate share of the net pension liability associated with the District using the discount rate of 7.10% as well as what the State’s proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u> 6.10%	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
State's proportionate share of net pension liability associated with the District	41,731,395	32,026,641	23,940,733

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publically available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2025.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky

Other Postemployment Benefits (OPEB)

Plan Description – Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 11 Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The MIP offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from State appropriation and three percent (3.00%) from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010, who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2025, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

Life Insurance Plan (LIP)

Plan description – TRS also administers a life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The LIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits Provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member’s estate or to a party designated by the member.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2025, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs– At June 30, 2025, the District reported a liability of \$2,233,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2024, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District's long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.1948 percent, an decrease of .0024 percent from proportion measured as of June 30, 2023 of .197234.

The amount recognized by the District as its proportionate share of the OPEB liabilities, the related State support, and the total portion of the net OPEB liabilities associated with the District were as follows:

	<u>MIP</u>	<u>LIP</u>
District's proportionate share of the net OPEB liability	\$ 2,233,000	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>1,990,000</u>	<u>45,000</u>
Total	<u>\$ 4,223,000</u>	<u>\$ 45,000</u>

For the year ended June 30, 2025, the District recognized MIP OPEB expense and on-behalf MIP revenue of \$185,362 for support provided by the State. For the year ended June 30, 2025, the District recognized on-behalf LIP OPEB expense and revenue of \$5,548 for support provided by the State. At June 30, 2025 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

	<u>MIP</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 671,000
Assumption changes	569,000	-
Net difference between projected and actual investment earnings on OPEB plan investments	-	72,000
Changes in proportion and differences between District contributions and proportionate share of contributions	637,000	1,000,000
District contributions subsequent to the measurement date	<u>316,313</u>	<u>-</u>
Total	<u>\$ 1,522,313</u>	<u>\$ 1,743,000</u>

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$316,313 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District’s MIP OPEB expense as follows:

<u>Year ended June 30:</u>	
2026	\$ (173,000)
2027	\$ (28,000)
2028	\$ (51,000)
2029	\$ (145,000)
2030	\$ (127,000)
Thereafter	<u>\$ (13,000)</u>
Total	<u>\$ (537,000)</u>

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return, net of	
OPEB plan investment expense & inflation:	
MIP	7.10%
LIP	7.10%
Projected salary increases	3.00% to 7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
MIP only:	
Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5.92% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.94%
Discount Rate:	
MIP	7.10%
LIP	7.10%
Single Equivalent Interest Rate, net of	
OPEB plan investment expense & inflation:	
MIP	7.10%
LIP	7.10%

Mortality rates were based on the Pub2010(Teachers Amount-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, deferred vested retirees, and active members.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2023, valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
U.S. Equity	38.0%	40.0%	10.5%	5.2%
Emerging Markets	5.0%	5.0%	6.1%	6.1%
Developed International Equity	15.0%	15.0%	5.5%	5.5%
Fixed Income	9.0%	21.0%	1.9%	1.9%
Real Estate	6.5%	7.0%	3.2%	3.2%
Private Equity	8.5%	5.0%	8.0%	8.0%
High Yield Bonds	8.0%	0.0%	3.8%	0.0%
Other Additional Categories	9.0%	5.0%	3.7%	4.0%
Cash (LIBOR)	1.0%	2.0%	1.6%	1.6%
Total	100.0%	100.0%		

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 7.10% and 7.10%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the MIP employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liabilities.

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District’s proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Net MIP OPEB liability	2,967,000	2,233,000	1,625,000

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2025

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the healthcare cost trends rates - The following presents the District’s proportionate share of the collective net MIP OPEB liability, as well as what the District’s proportionate share of the collective net MIP OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net MIP OPEB liability	1,509,000	2,233,000	3,134,000

OPEB plans’ fiduciary net position - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2025.

13. Pension and Other Postemployment Benefits- County Employees Retirement System

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publically available financial report that can be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member’s final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member’s age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District’s actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2025, 2024 and 2023 were \$445,928, \$509,432 and \$549,877, respectively, equal to the required contributions for each year.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2025, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	19.71%	\$ 445,928
OPEB	0.00%	-
Total	<u>19.71%</u>	<u>\$ 445,928</u>

Liabilities (Assets), Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities (assets) reported as June 30, 2025, were measured as of June 30, 2024, and the total pension and OPEB liabilities (assets) used to calculate the net pension liability and net OPEB liability (assets) were determined by an actuarial valuation as of June 30, 2023. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2024, measurement date, the District's pension and OPEB proportion were 0.070605% and .070674%, an decrease of 0.00113% and 0.001061% from its proportion measured as of June 30, 2023, of 0.071738% and 0.071735%.

The District's pension and OPEB liabilities (assets) and expense as of and for the year ended June 30, 2025, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability (Asset)</u>
Proportionate Share	<u>\$ 4,222,478</u>	<u>\$ (122,252)</u>
Pension/OPEB Expense	<u>\$ 222,138</u>	<u>\$ (305,380)</u>

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 204,375	\$ -	\$ 67,824	\$ 961,882
Assumption changes	-	190,773	110,775	86,262
Investment experience	289,989	561,472	107,463	219,025
Changes in proportionation and differences between District contributions and proportionate share of contributions	-	87,069	15,029	44,517
Implicit Subsidy			33,139	
District contributions subsequent to the measurement date	445,928	-	-	-
Total	\$ 940,292	\$ 839,314	\$ 334,230	\$ 1,311,686

The \$445,928 and \$-0- of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities (assets) in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
2026	\$ (234,251)	\$ (407,764)
2027	54,165	(310,047)
2028	(104,361)	(278,651)
2029	(60,502)	(14,132)
Thereafter	-	-
	\$ (344,949)	\$ (1,010,594)

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions—The total pension / OPEB liabilities (assets) in the June 30, 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	3.3% - 10.3%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 6.20% for Pre-65, or 9.00% for Post-65, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013-2018. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013-2018. Male mortality rates are set back four years.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	60.00%	
Public equity	50.00%	4.15%
Private equity	10.00%	9.10%
Fixed Income	20.00%	
Core fixed income	10.00%	2.85%
Specialty credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation protected	20.00%	
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities (assets) at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2023	6.50%	5.93%
Increase(decrease)	0.00%	.06%
Discount rate, June 30, 2024	6.50%	5.99%

The discount rate of 6.50% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.99% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024.

The projection of cash flows used to determine the discount rates is based on the assumption that each participating employer in CERS will contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities (Assets) to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities (assets), as well as what the District's proportionate share of the net pension / OPEB liabilities (assets) would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's porportionate share</u>		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.50%	6.50%	7.50%
Net Pension Liability	5,443,464	4,222,478	3,209,381
	4.99%	5.99%	6.99%
Net OPEB Liability (Asset)	165,298	(122,252)	(364,025)

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability (asset), as well as what the District's proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current healthcare cost trend rate	1% Increase
	4.99%	5.99%	6.99%
District's Proportionate Share of Net OPEB Liability (Asset)	(294,123)	(122,252)	77,966

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2025:

Pension	OPEB
\$ -	\$ -

14. Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose; the grantors may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As reported in Note 7 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the bond issues of 2012(100%),2014(78%), 2015-ref(70%), 2017(53%), 2017 Revenue Refunding (47%) ,2021(28%) and 2025 (21%). In the unlikely event the KSFCC defaults on their portion of the debt, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2025, was \$3,900,068.

15. Risk Management

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. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

The District carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

16. Deficit Operating/Net Position

The following funds have operations that resulted in a current year deficit of revenues under expenditures resulting in a corresponding reduction of fund balance net position. These deficits were funded by available resources at the beginning of the year or current year bond proceeds.

	<u>Operating</u>	<u>Net Position</u>
Food Service Fund		\$ 132,999
District Activity Funds	\$ 432	
Scholarship Private Purpose Trust Funds	\$ 785	
Construction Fund	\$ 694,201	

17. Interfund Balances and Transfers

There were no interfund balances as of June 30, 2025.

The following transfers were made during the year ended June 30, 2025:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Nonmajor Governmental Funds:</u>			
Capital Projects (FSPK)	Debt Service	Debt Payments	665,758
Student Activity Fund	District Activity Fund	DAF Expense	33,344
Total Nonmajor governmental funds			699,102
<u>Major Governmental Funds:</u>			
General Fund	Special Revenue	KETS match	29,000
General Fund	Special Revenue	Community Ed Match	5,000
General Fund	Special Revenue	To Restrict Donation	265,000
Special Revenue	Capital Projects	To Restrict Donation	413,468
Special Revenue	General Fund	Indirect Costs	4,424
Total Major governmental funds			716,892
Total transfers			\$ 1,415,994

18. On-behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2025. The amounts are included in the General Fund, Debt Service Fund and Food Service Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments are recorded as additional instruction expense and the health insurance, life insurance, flexible spending and administrative fees payments are allocated to the various expense functions based on a ratio of employees. The technology fees are recorded in district administration expense. In the Food Services Fund, all of the payments are recorded as additional employee benefits. The debt service payments are recorded as payment of principle and interest expense.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

18. On-behalf Payments, continued

Kentucky Teachers Retirement System	\$ 2,272,535
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	2,182,489
Technology	42,470
Debt Service	<u>426,526</u>
	<u><u>\$ 4,924,020</u></u>
Reported in:	
General Fund	\$ 4,371,441
Debt Service Fund	426,527
Proprietary Fund	<u>126,052</u>
	<u><u>\$ 4,924,020</u></u>

19. Commitments

The District had the following outstanding construction project, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2025.

Project	Total Commitment	Incurred to Date	Commitment Remaining
MCHS Field House and Track (BG23-318)	\$ 4,555,000	\$ 4,010,527	\$ 544,473
MGPS Exterior (BG 25-198)	413,468	105,810	307,658
MCHS HVAC (BG 25-202)	3,722,531	1,278,735	2,443,796
	<u>\$ 8,690,999</u>	<u>\$ 5,395,072</u>	<u>\$ 3,295,927</u>

20. Subsequent Events

Management has evaluated subsequent events through January 20, 2026 the date on which the financial statements were available to be issued.

21. Change in Accounting Principle and Related Changes to Certain Beginning Balances

During the fiscal year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. GASB Statement No. 101 establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments. The District provides vacation and sick leave.

GASB 101 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2025

21. Change in Accounting Principle and Related Changes to Certain Beginning Balances, continued

	June 30, 2024 Fund Balance As Previously Reported	Change in Accounting Principle (GASB 101)	June 30, 2024 Fund Balance As Restated
Government Wide			
Governmental Activities	\$ 2,533,807	\$ (62,861)	\$ 2,470,946
Business-type Activities	(488,695)	(14,960)	(503,655)
Total Primary Government	<u>\$ 2,045,112</u>	<u>\$ (77,821)</u>	<u>\$ 1,967,291</u>
Governmental Funds			
General Fund	\$ 4,519,027	\$ -	\$ 4,519,027
Special Revenue Grant Fund	-	-	-
Construction Fund	3,184,820	-	3,184,820
Nonmajor Funds	993,517	-	993,517
Total Governmental Funds	<u>\$ 8,697,364</u>	<u>\$ -</u>	<u>\$ 8,697,364</u>
Proprietary Funds			
Food Service	\$ (512,904)	\$ (14,960)	\$ (527,864)
Child Care Program	23,305		23,305
Community Education	904	-	904
Total Proprietary Funds	<u>\$ (488,695)</u>	<u>\$ (14,960)</u>	<u>\$ (503,655)</u>

**MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources				
Taxes				
Property	\$2,998,000	\$2,998,000	\$3,225,324	\$227,324
Motor vehicle	630,000	630,000	523,851	(106,148)
Unmined mineral	50,000	50,000	54,230	4,230
Utilities	610,000	610,000	681,998	71,998
Other				-
Earnings on investments	215,000	215,000	266,540	51,540
Contributions			265,000	265,000
Other local revenues	5,000	5,000	30,880	25,880
Intergovernmental - Local				-
Intergovernmental - State	6,010,500	6,010,500	6,401,067	390,567
Intergovernmental - Federal	65,000	65,000	77,490	12,490
Total revenues	<u>10,583,500</u>	<u>10,583,500</u>	<u>11,526,380</u>	<u>942,880</u>
Expenditures:				
Current:				
Instruction	5,900,899	5,900,899	5,784,421	116,478
Support services:				
Student	639,740	639,740	555,869	83,871
Instruction staff	479,460	479,460	432,292	47,168
District administrative	631,704	631,704	581,408	50,296
School administrative	1,113,422	1,094,567	996,197	98,370
Business	437,492	437,492	380,439	77,053
Plant operation and maintenance	1,628,356	1,628,356	1,707,523	(79,167)
Student transportation	780,118	780,118	775,215	4,903
Central office			0	0
Community service activities			0	0
Debt service:				
Principal			0	0
Interest			0	0
Total expenditures	<u>11,611,191</u>	<u>11,592,336</u>	<u>11,193,364</u>	<u>398,972</u>
Excess (deficit) of revenues over expenditures	<u>(1,027,691)</u>	<u>(1,008,836)</u>	<u>333,016</u>	<u>1,341,852</u>
Other Financing Sources (Uses):				
Property insurance proceeds			8,800	6,800
Transfers in			4,424	4,424
Transfers out	(34,000)	(34,000)	(299,000)	(265,000)
Contingency	(2,638,309)	(2,657,164)		2,657,164
Total other financing sources (uses)	<u>(2,672,309)</u>	<u>(2,691,164)</u>	<u>(287,776)</u>	<u>2,403,388</u>
Net change in fund balance	(3,700,000)	(3,700,000)	45,240	3,745,240
Fund balance, Beginning	<u>3,700,000</u>	<u>3,700,000</u>	<u>4,519,027</u>	<u>819,027</u>
Fund balance, Ending	<u>\$0</u>	<u>\$0</u>	<u>\$4,584,267</u>	<u>\$4,564,267</u>

**MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments			\$ -	\$ -
Contributions	\$ 67,300	\$ 67,300	314,883	247,583
Other local revenues				-
Intergovernmental - State	570,721	570,721	813,220	242,499
Intergovernmental - Indirect federal	1,051,171	1,046,299	1,468,830	422,531
Intergovernmental - Direct federal	63,000	63,000	108,510	45,510
Total revenues	<u>1,752,192</u>	<u>1,747,320</u>	<u>2,705,443</u>	<u>958,123</u>
Expenditures:				
Current:				
Instruction	1,141,856	1,165,323	1,758,389	(593,066)
Support services:				
Student	131,927	120,032	160,831	(40,799)
Instruction staff	103,402	94,544	162,294	(67,750)
District administrative	92,171	84,585	103,143	(18,558)
School administrative				0
Business	60,787	60,787	44,344	16,443
Plant operation and maintenance	48,255	48,255	85,342	(37,087)
Student transportation	49,024	49,024	62,538	(13,514)
Central office				0
Food Service			-	0
Day Care			45,273	(45,273)
Community services	158,770	158,770	164,397	(5,627)
Capital outlay:				
Facilities acquisition and construction				0
Total expenditures	<u>1,786,192</u>	<u>1,781,320</u>	<u>2,586,551</u>	<u>(805,231)</u>
Excess (deficit) of revenues over expenditures	<u>(34,000)</u>	<u>(34,000)</u>	<u>118,892</u>	<u>152,892</u>
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets				
Transfers in	34,000	34,000	299,000	265,000
Transfers out			(417,892)	(417,892)
Total other financing sources (uses)	<u>34,000</u>	<u>34,000</u>	<u>(118,892)</u>	<u>(152,892)</u>
Net change in fund balance	0	0	0	0
Fund balance, Beginning				0
Fund balance, Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

MCLEAN COUNTY SCHOOL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for BUDGETARY PROCESS

FOR THE YEAR ENDED JUNE 30, 2025

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for on-behalf payments. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

A basis difference exists in the General Fund between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District. The difference relates to on-behalf payments, primarily retirement and employee benefits in the General Fund. The Kentucky Department of Education encourages Kentucky school districts to include on-behalf payments in the budget process but the District did not budget on-behalf payments. Line item differences are as follows:

<u>General Fund:</u>	<u>Budget Basis</u>	<u>GAAP Basis</u>	<u>Difference</u>
Revenues:			
Intergovernmental-state	\$ 6,401,067	\$ 10,772,508	\$ 4,371,441
Expenditures:			
Instruction	5,784,421	8,851,351	3,066,930
Support services:			
Student	555,869	730,231	174,362
Instructional staff	432,292	644,351	212,059
District administration	581,408	748,151	166,743
School administration	996,197	1,411,022	414,825
Business support services	360,439	457,573	97,134
Plant operations maintenance	1,707,523	1,827,700	120,177
Student transportation	775,215	894,426	119,211

Special Revenue Fund:

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

MCLEAN COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>32,026,641</u>	<u>34,707,200</u>	<u>35,033,537</u>	<u>27,111,071</u>	<u>29,340,513</u>	<u>28,441,896</u>	<u>27,309,286</u>	<u>56,898,243</u>	<u>62,903,080</u>	<u>50,661,541</u>
Total	<u>\$32,026,641</u>	<u>\$ 34,707,200</u>	<u>\$ 35,033,537</u>	<u>\$ 27,111,071</u>	<u>\$ 29,340,513</u>	<u>\$ 28,441,896</u>	<u>\$ 27,309,286</u>	<u>\$ 56,898,243</u>	<u>\$ 62,903,080</u>	<u>\$ 50,661,541</u>
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,380	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900	\$ 6,901,517	\$ 6,835,837
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	58.40%	65.59%	58.30%	58.60%	59.30%	39.83%	35.22%	42.49%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,360	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900	\$ 6,901,517	\$ 6,835,837
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
For the Year Ended June 30, 2025

Changes of Benefit Terms

2025	None
2024	A new benefit tier was added for members joining the System of and after January 1, 2022.
2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2025	The municipal bond index rate increased from 3.66% to 3.94%.
2024	The municipal bond index rate increased from 3.37% to 3.66%.
2023	The municipal bond index rate increased from 2.13% to 3.37%.
2022	The assumed long-term investment rate of return was changed from 7.5% to 7.1% The price inflation assumption was lowered from 3.0% to 2.5%. The calculation of SEIR results in an assumption change from 7.5% to 7.1%
2021	None
2020	The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%.
2018	The municipal bond index rate increased from 3.01% to 3.56%. The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%. The inflation rate decreased from 3.50% to 3.00%.
2017	The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%.
2016	None

MCLEAN COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN (MIP)								
District's proportion of the plan total net MIP OPEB liability	0.194800%	0.197234%	0.148574%	0.110702%	0.110735%	0.111052%	0.107850%	0.111257%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 2,233,000	\$ 2,607,000	\$ 3,691,000	\$ 2,375,000	\$ 2,795,000	\$ 3,250,000	\$ 3,742,000	\$ 3,967,000
State's proportionate share of the net MIP OPEB liability associated with the District	1,990,000	2,197,000	1,213,000	1,929,000	2,239,000	2,625,000	3,225,000	3,241,000
Total	\$ 4,223,000	\$ 4,804,000	\$ 4,904,000	\$ 4,304,000	\$ 5,034,000	\$ 5,875,000	\$ 6,967,000	\$ 7,208,000
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,360	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	28.25%	33.34%	46.83%	30.40%	38.62%	46.55%	54.10%	59.20%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	59.81%	52.97%	47.89%	51.74%	39.10%	32.60%	25.50%	21.18%
LIFE INSURANCE PLAN (LIP)								
District's proportion of the plan total net LIP OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District						\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	45,000	54,000	60,000	26,000	68,000	61,000	55,000	43,000
Total	\$ 45,000	\$ 54,000	\$ 60,000	\$ 26,000	\$ 68,000	\$ 61,000	\$ 55,000	\$ 43,000
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,360	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	80.56%	76.91%	74.00%	89.15%	71.60%	73.40%	75.00%	79.99%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN (MIP)								
District's contractually required contributions	\$ 316,313	\$ 354,280	\$ 387,707	\$ 397,821	\$ 307,153	\$ 271,748	\$ 269,983	\$ 201,027
District's contributions in relation to the contractually required contributions	<u>(316,313)</u>	<u>(354,280)</u>	<u>(387,707)</u>	<u>(397,821)</u>	<u>(307,153)</u>	<u>(271,748)</u>	<u>(269,983)</u>	<u>(201,027)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,360	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
LIFE INSURANCE PLAN (LIP)								
District's contractually required contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions	<u>-</u>							
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered-employee payroll	\$ 7,905,234	\$ 7,819,420	\$ 7,882,360	\$ 7,811,220	\$ 7,236,930	\$ 6,980,957	\$ 6,916,691	\$ 6,700,900
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NET OPEB LIABILITY

TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

For the Year Ended June 30, 2025

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

- 2025 None
- 2024 None
- 2023 None
- 2022 None
- 2021 None
- 2020 None
- 2019 None
- 2018 With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEPH "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

- 2025 The municipal bond index rate increased from 3.66% to 3.94%.
- 2024 The municipal bond index rate increased from 3.37% to 3.66%.
The healthcare trend rates as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.
- 2023 The municipal bond index rate increased from 2.13% to 3.37%.
The health care trend rates were updated to reflect future anticipated experience.
- 2022 The assumed long-term investment rate of return was changed from 8.0% to 7.1%.
The price inflation assumption was lowered from 3.0% to 2.5%
- 2021 The municipal bond index rate decreased from 3.50% to 2.20%.
The projected salary increases decreased from 3.50% - 7.30% to 3.50% - 7.20%
- 2020 The municipal bond index rate decreased from 3.89% to 3.50%.
The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
- 2019 The municipal bond index rate increased from 3.56% to 3.89%.
- 2018 None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

- 2025 None
- 2024 None
- 2023 None
- 2022 None
- 2021 None
- 2020 None
- 2019 None
- 2018 None

Changes of Assumptions

- 2025 The municipal bond index rate increased from 3.66% to 3.94%.
- 2024 The municipal bond index rate increased from 3.37% to 3.66%.
The TRS 4 retirement decrements were updated to reflect future anticipated experience.
- 2023 The municipal bond index rate increased from 2.13% to 3.37%.
- 2022 The assumed long-term investment rate of return was changed from 7.5% to 7.1%.
The price inflation assumption was lowered from 3.0% to 2.5%
- 2021 The municipal bond index rate decreased from 3.50% to 2.20%.
- 2020 The municipal bond index rate decreased from 3.89% to 3.50%.
- 2019 The municipal bond index rate increased from 3.56% to 3.89%.
- 2018 None

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.070605%	0.071738%	0.072754%	0.070451%	0.071566%	0.069912%	0.075340%	0.075879%	0.077550%	0.081290%
District's proportionate share of the net pension liability	\$ 4,222,478	\$ 4,603,075	\$ 5,259,396	\$ 4,491,804	\$ 5,489,053	\$ 4,916,942	\$ 4,588,456	\$ 4,441,431	\$ 3,818,210	\$ 3,495,016
District's covered-employee payroll	\$ 2,314,575	\$ 2,206,220	\$ 2,083,681	\$ 2,011,912	\$ 1,799,495	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811	\$ 1,883,498	\$ 1,849,990
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	182.43%	208.64%	252.41%	223.26%	305.03%	268.22%	260.19%	239.71%	202.72%	188.92%
Plan fiduciary net position as a percentage of the total pension liability	51.81%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 445,928	\$ 509,432	\$ 480,296	\$ 417,854	\$ 340,951	\$ 279,231	\$ 279,466	\$ 268,287	\$ 262,748	\$ 229,762
Contributions in relation to the contractually required contributions	<u>(445,928)</u>	<u>(509,432)</u>	<u>(480,296)</u>	<u>(417,854)</u>	<u>(340,951)</u>	<u>(279,231)</u>	<u>(279,466)</u>	<u>(268,287)</u>	<u>(262,748)</u>	<u>(229,762)</u>
Contribution deficiency (excess)					<u>\$ -</u>					
District's covered-employee payroll	\$ 2,314,575	\$ 2,206,220	\$ 2,083,681	\$ 2,011,912	\$ 1,799,495	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811	\$ 1,883,498	\$ 1,849,990
Contributions as a percentage of covered-employee payroll	19.27%	23.09%	23.05%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.070674%	0.071735%	0.072741%	0.070434%	0.071547%	0.069893%	0.075337%	0.075879%
District's proportionate share of the net OPEB liability (asset)	\$ (122,252)	\$ (99,042)	\$ 1,435,554	\$ 1,348,424	\$ 1,727,642	\$ 1,175,586	\$ 1,337,593	\$ 1,525,427
District's covered-employee payroll	\$ 2,314,575	\$ 2,209,220	\$ 2,083,681	\$ 2,011,912	\$ 1,799,495	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	-5.28%	-4.49%	68.90%	67.02%	96.01%	64.13%	75.85%	82.33%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ 69,581	\$ 114,086	\$ 84,090	\$ 85,848	\$ 90,638	\$ 87,082
Contributions in relation to the contractually required contribution	-	-	(69,581)	(114,086)	(84,090)	(85,848)	(90,638)	(87,082)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,314,575	\$ 2,206,220	\$ 2,083,681	\$ 2,011,912	\$ 1,799,495	\$ 1,833,200	\$ 1,763,476	\$ 1,852,811
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	3.34%	5.78%	4.67%	4.68%	5.26%	4.70%

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

MCLEAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Year Ended June 30, 2025

Changes of Benefit Terms

2025	None
2024	None
2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

Pension and OPEB:

- 2021 The healthcare cost trend rates for Pre-65 changed from 7.25% to 7.00% and changed from 3.10% to 5.00% for Post-65
- 2020 The salary increases assumption was changed from 3.05% to 3.30%
- 2019 The salary increases assumption was changed from 2.00% to 3.05%.
- 2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
 The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.
 The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

- 2025 The discount rate used to calculate the total OPEB liability (asset) increased from 5.95% to 5.99%.
- 2024 The discount rate used to calculate the total OPEB liability (asset) increased from 5.70% to 5.95%.
- 2023 The single discount rate increased from 5.2% to 5.7%.
 The health care trend rates were updated to reflect future anticipated experience.
- 2022 The single discount rate was changed from 5.34% to 5.2%
- 2021 The single discount rate was changed from 5.68% to 5.34
- 2020 The single discount rate was changed from 5.85% to 5.68%
- 2019 The single discount rate changed from 5.84% to 5.85%.
- 2018 The single discount rate changed from 6.89% to 5.84%.
- 2017 None

Pension:

- 2016 The assumed investment rate of return was decreased from 7.75% to 7.50%.
 The assumed rate of inflation was reduced from 3.50% to 3.25%
 The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
 Payroll growth assumption was reduced from 4.50% to 4.00%.
 The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**MCLEAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025**

	Special Revenue District Activity Fund	Student Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents						\$0
Accounts receivable:						0
Bond proceeds receivable						0
Local						0
Restricted cash	\$ 143,891	\$ 171,029	\$380,981	\$540,800		1,236,701
Total assets	<u>\$143,891</u>	<u>\$171,029</u>	<u>\$380,981</u>	<u>\$540,800</u>	<u>\$0</u>	<u>\$1,236,701</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable						\$0
Due to other funds						0
Payable from restricted assets						0
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances						
Restricted for:						
Capital Projects			\$380,981	\$540,800		921,781
Assigned	143,891	\$171,029				314,920
Unassigned:						0
Total fund balances	<u>143,891</u>	<u>171,029</u>	<u>380,981</u>	<u>540,800</u>	<u>0</u>	<u>1,236,701</u>
Total liabilities and fund balances	<u>\$143,891</u>	<u>\$171,029</u>	<u>\$380,981</u>	<u>\$540,800</u>	<u>\$0</u>	<u>\$1,236,701</u>

**MCLEAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Special Revenue District Activity Fund	School Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:						
From local sources:						
Taxes:						
Property			\$351,813			\$351,813
Earnings on investments						0
Contributions	\$18,336					18,336
Other local revenue		\$552,438				552,438
Intergovernmental - State			424,858	\$128,269	\$426,526	979,653
Total revenues	<u>18,336</u>	<u>552,438</u>	<u>776,671</u>	<u>128,269</u>	<u>426,526</u>	<u>1,902,240</u>
Expenditures:						
Instruction	52,112	514,660				566,772
Plant operations and maintenance						0
Capital outlay:						
Facilities acquisition and construction						0
Debt Service:						
Principal					760,000	760,000
Interest					332,284	332,284
Total expenditures	<u>52,112</u>	<u>514,660</u>	<u>-</u>	<u>-</u>	<u>1,092,284</u>	<u>1,659,056</u>
Excess (deficit) of revenues over expenditures	<u>(33,776)</u>	<u>37,778</u>	<u>776,671</u>	<u>128,269</u>	<u>(665,758)</u>	<u>243,184</u>
Other Financing Sources (Uses)						
Proceeds from bond issues						0
Bond discounts						0
Payment to refunded bond escrow agent						0
Transfers in	33,344				665,758	699,102
Transfers out		(33,344)	(665,758)			(699,102)
Total other financing sources (uses)	<u>33,344</u>	<u>(33,344)</u>	<u>(665,758)</u>	<u>-</u>	<u>665,758</u>	<u>0</u>
Net Change in fund balance	(432)	4,434	110,913	128,269	-	243,184
Fund balance, Beginning	<u>144,323</u>	<u>166,595</u>	<u>270,068</u>	<u>412,531</u>	<u>-</u>	<u>993,517</u>
Fund balance, Ending	<u>\$143,891</u>	<u>\$171,029</u>	<u>\$380,981</u>	<u>\$540,800</u>	<u>\$0</u>	<u>\$1,236,701</u>

**MCLEAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2025**

	Child Care Fund	Community Ed. Fund	Total Nonmajor Enterprise Funds
Assets			
Current assets			
Cash and cash equivalents	\$ 25,539	\$ 900	\$ 26,439
Accounts receivable			0
Inventory			0
Total Assets	25,539	900	26,439
Deferred Outflows of Resources			
Deferred Outflows from OPEB Contribution	-		-
Deferred Outflows from Pension Contribution	-		-
Total Deferred Outflows	-	-	-
Total Assets and Deferred Outflows	\$ 25,539	\$ 900	\$ 26,439
Liabilities			
Current liabilities			
Accounts payable		\$ -	\$ -
Total Current Liabilities	-	-	-
Noncurrent Liabilities			
Net Pension liability	-		-
Net OPEB liability	-		-
Total Noncurrent Liabilities	-	-	-
Total Liabilities	-	-	-
Deferred Inflows of Resources			
Deferred Inflows from OPEB Contribution	-		-
Deferred Inflows from Pension Contribution	-		-
Total Deferred Inflows	-	-	-
Net Position			
Unrestricted	25,539	900	26,439
Total Net Position	25,539	900	26,439
Total Liabilities, Deferred Inflows, and Net Position	\$ 25,539	\$ 900	\$ 26,439

**MCLEAN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025**

	Child Care Fund	Community Ed. Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Community service activities	\$5,952		\$5,952
Other operating revenues			-
Total operating revenues	<u>5,952</u>	<u>-</u>	<u>5,952</u>
Operating Expenses:			
Salaries and wages			-
Employee benefits			-
Purchased professional services			0
Other purchased services	81	50	131
Materials and supplies	4,790		4,790
Other operating expenses			-
Total operating expenses	<u>4,871</u>	<u>50</u>	<u>4,921</u>
Operating gain/(loss)	<u>1,081</u>	<u>(50)</u>	<u>1,031</u>
Nonoperating Revenues (Expenses):			
Federal grants			-
State grants			-
Interest income	1,153	46	1,199
Total nonoperating revenues (expenses)	<u>1,153</u>	<u>46</u>	<u>1,199</u>
Change in net position	2,234	(4)	2,230
Net position, Beginning	<u>23,305</u>	<u>904</u>	<u>24,209</u>
Net position, Ending	<u>\$25,539</u>	<u>\$900</u>	<u>\$26,439</u>

**MCLEAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Child Care Fund	Community Ed. Funds	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities			
Cash received from:			
Community service activities	\$5,952	-	\$5,952
Cash paid to/for:			
Employees		-	0
Supplies	(4,815)	(50)	(4,865)
Other activities	(81)		(81)
Net cash provided (used) by operating activities	<u>1,056</u>	<u>(50)</u>	<u>1,006</u>
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets			-
Cash Flows from Investing Activities			
Receipt of interest income	1,153	46	1,199
Net increase (decrease) in cash and cash equivalents	2,209	(4)	2,205
Cash balances, beginning of year	23,330	904	24,234
Cash balances, end of year	<u>\$25,539</u>	<u>\$900</u>	<u>\$26,439</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$1,081	(50)	\$1,031
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Change in assets and liabilities			
Inventory			-
Accounts receivable			-
Accounts payable	(25)		(25)
Other current liabilities			-
Net Pension / OPEB Liability and deferrals			-
Net cash provided (used) by operating activities	<u>\$1,056</u>	<u>(50)</u>	<u>\$1,006</u>

**MCLEAN COUNTY SCHOOL DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
 ALL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2025**

School	Cash Balances July 1, 2024	Receipts	Disburse- ments	Cash Balances June 30, 2025	Accounts Receivable June 30, 2025	Accounts Payable June 30, 2025	Fund Balances June 30, 2025
McLean Co. High School	\$88,026	\$402,955	\$394,593	96,388	\$300	\$9,987	\$86,701
McLean Co. Middle School	40,169	73,426	73,514	40,081		4,650	35,431
Calhoun Elementary	18,413	31,633	32,933	17,113			17,113
Livermore Elementary	12,001	38,056	39,575	10,482			10,482
Sacramento Elementary	7,986	6,369	7,390	6,965			6,965
	<u>\$166,595</u>	<u>\$552,439</u>	<u>\$548,005</u>	<u>\$171,029</u>	<u>\$300</u>	<u>\$14,637</u>	<u>\$156,692</u>

**MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
MCLEAN COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Cash Balances July 1, 2024	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2025	Accounts Receivable June 30, 2025	Accounts Payable June 30, 2025	Fund Balances June 30, 2025
General	3,366	5,086	1,845	293	6,900	-	-	6,900
Donations Account	139	1,000	-	(1,100)	39	-	-	39
Teachers Lounge	85	-	-	-	85	-	-	85
Concessions	5,847	39,617	34,973	(8,530)	1,961	-	-	1,961
Dance Receipts	1,473	-	-	-	1,473	-	-	1,473
Cougar Choice Awards	149	600	425	-	324	-	-	324
Classroom Fees	-	10,309	-	(10,309)	-	-	-	-
Guidance	209	75	93	-	191	-	-	191
Athletic	6,086	65,906	60,020	(8,062)	3,910	-	-	3,910
Soccer	162	2,559	3,214	1,200	707	-	-	707
Start Up Money	-	2,850	2,850	-	-	-	-	-
Sweep Account	-	-	24,970	24,970	-	-	-	-
Boys Basketball	134	23,363	13,198	(6,210)	4,089	-	468	3,621
Cheerleaders	5,560	40,891	45,748	2,606	3,309	-	471	2,838
Football	4,387	19,124	14,496	500	9,515	-	5,654	3,861
Weightlifting Club	1,851	7,495	7,564	-	1,782	-	-	1,782
Girls Basketball	7,790	10,845	12,159	735	7,211	-	-	7,211
Girls Softball	5,786	3,455	3,862	1,000	6,379	-	-	6,379
Board Reimbursable Acct	(2,319)	28,235	25,993	(222)	(300)	300	-	-
Chromebook Board Reimb Exp	-	406	-	(406)	-	-	-	-
Track	157	1,737	1,359	-	535	-	-	535
Volleyball	4,001	2,728	6,850	2,000	1,879	-	-	1,879
Baseball	770	30,384	31,707	1,625	1,072	-	-	1,072
Golf	2,439	120	1,440	-	1,119	-	-	1,119
Prom Account	386	7,040	5,416	-	2,010	-	-	2,010
Senior Class	8	9,534	8,092	-	1,450	-	-	1,450
Annual	-	845	478	220	587	-	-	587
Academic Team	801	-	93	(20)	688	-	-	688
Beta Club	3,212	943	847	-	3,308	-	-	3,308
Y Club Donations	-	-	-	-	-	-	-	-
Cougar Council	2,500	394	869	-	2,025	-	-	2,025
CBI	233	-	-	-	233	-	-	233
FBLA	465	-	28	-	437	-	-	437
FCA	521	-	-	-	521	-	-	521
FFA	4,977	32,727	26,473	2,800	14,031	-	3,394	10,637
FCCLA	36	786	782	(1)	39	-	-	39
Region 3 FCCLA	-	122	-	-	122	-	-	122
Library Club	198	30	-	-	228	-	-	228
Cougars Coordinators Club	288	-	-	-	288	-	-	288
Science Club	479	-	382	-	97	-	-	97
Spirit/Pep Club	39	-	-	-	39	-	-	39
Culture Club	1,467	120	794	-	793	-	-	793
AP Fees	30	1,200	1,240	35	25	-	-	25
ROTC	3,532	215	-	-	3,747	-	-	3,747
Cougar Quick Recall	91	-	-	-	91	-	-	91
Cougar Book Club	5	-	-	-	5	-	-	5
Band	670	27,076	27,579	-	167	-	-	167
Agriculture	1,210	1,208	4,252	2,000	166	-	-	166
Greenhouse	10,634	9,436	9,391	(4,800)	5,879	-	-	5,879
Art Club	430	-	-	-	430	-	-	430
Arts & Humanities	878	-	417	-	461	-	-	461
Consumer & Family	25	215	208	3	35	-	-	35
Math	2,895	-	29	-	2,866	-	-	2,866
Moot Court	-	10,721	10,394	(327)	-	-	-	-
Foreign Language	2,527	-	37	-	2,490	-	-	2,490
Special Ed.	1,413	50	518	-	945	-	-	945
Charitable Gaming	5	3,508	3,508	-	5	-	-	5
TOTAL	\$88,026	\$402,955	\$394,593	-	96,388	\$300	9,987	\$86,701

**MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2026**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Additional Award Identification	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
PASSED THRU STATE DEPARTMENT OF EDUCATION:				
CHILD NUTRITION CLUSTER:				
SCHOOL BREAKFAST PROGRAM	10.553		7760005-24	\$ 45,050
	10.553		7760005-25	258,086
				<u>303,136</u>
NATIONAL SCHOOL LUNCH PROGRAM				
Cash Assistance	10.555		7750002-24	97,708
	10.555		7750002-25	520,961
	10.555		9980000-23	
NonCash Assistance - Commodities (Note C)	10.555		Fund 51	90,565
				<u>709,234</u>
SUMMER FOOD SERVICE PROGRAM				
	10.559		7690024-24	195,711
	10.559		7740023-24	371,989
				<u>567,700</u>
FRESH FRUITS AND VEGETABLES				
	10.582		7720012-24	4,278
	10.582		7720012-25	42,942
				<u>47,220</u>
TOTAL CHILD NUTRITION CLUSTER				<u>1,627,290</u>
STATE ADM FOR CHILD NUTRITION - WAREHOUSE	10.560		7700001-24	<u>2,840</u>
LOCAL FOOD FOR SCHOOLS COOPERATIVE	10.185		057K	<u>1,314</u>
EQUIPMENT ASSISTANCE	10.579		7840027-23	<u>50,000</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>1,881,444</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
PASSED THROUGH STATE DEPARTMENT OF EDUCATION:				
TITLE I, GRANTS TO LOCAL EDUCATION AGENCIES				
	84.010		3100002-23	156,850
	84.010		3100002-24	238,759
TOTAL TITLE I				<u>395,609</u>
SPECIAL EDUCATION CLUSTER:				
SPECIAL EDUCATION - GRANTS TO STATES	84.027		3810002-23	101,315
	84.027		3810002-24	302,583
				<u>403,898</u>
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173		3800002-24	<u>15,256</u>
TOTAL SPECIAL EDUCATION CLUSTER				<u>419,154</u>
EDUCATION STABILIZATION FUNDS				
FY21 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF II	84.425	Covid 19, 84.425D	4200003-21	
FY21 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND	84.425	Covid 19, 84.425U	4300002-21	412,161
KY VIRTUAL LIBRARY	84.425	Covid 19, 84.425U	4300002-21	112,598
	84.425	Covid 19, 84.425U	563I	16,969
DEEPER LEARNING	84.425	Covid 19, 84.425U	563J	18,518
TOTAL EDUCATION STABILIZATION FUNDS				<u>558,246</u>
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84.048		3710002-24	21,338
	84.048		3710002-25	1,694
				<u>23,030</u>
RACE TO THE TOP & TITLE IV				
	84.424		3420002-22	6,098
	84.424		3420002-23	11,369
	84.424		3420002-24	11,577
				<u>29,044</u>
IMPROVING TEACHER QUALITY STATE GRANTS				
	84.367		3230002-22	20,258
	84.367		3230002-23	56,977
	84.367		3230002-22	77,235
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,602,318</u>

Continued

**MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
CARES- CHILD CARE DEVELOPMENT FUND	93.575	576I	25,733
CARES - CHILD CARE DEVELOPMENT FUND STARTUP	93.575	658FC	9,141
	93.575	658FL	10,400
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>45,274</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
ROTC	1010.17JROTC	9009.00	29,748
TOTAL U.S. DEPARTMENT OF DEFENSE			<u>29,748</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,258,784</u>

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the McLean County School District under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the McLean County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the McLean County School District.

Note B: Summary of Significant Accounting Policies:

- (1) Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The McLean County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

Note C: Commodities:

Noncash assistance is reported in the schedule at the fair market value of the USDA food commodities received and disbursed.

Note D: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, medicaid reimbursements (\$71,490) are not considered expenditures of federal awards for the purposes of the schedule.

Note E: Subrecipients:

There were no awards passed through to subrecipients.

Note F: Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements:

Federal Awards presented in the financial statements, by Fund:

Special Revenue Fund 2 - Indirect Federal	
Direct Federal	\$ 108,510
Indirect Federal	1,468,830
Proprietary fund (food service)	<u>1,681,444</u>
 Total Federal awards reported in the Schedule of Federal Expenditures	 <u>\$ 3,258,784</u>

MCLEAN COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2025

<u>Term Expires</u> <u>Board Members</u>	<u>Address</u>	<u>December 31</u>
John Howard Chairman	Calhoun, Kentucky	2026
Wendell Miller	Sacramento, Kentucky	2028
Bobby Stevens	Livermore, Kentucky	2026
Katie Gunterman	Island, Kentucky	2028
Tracy McMahon	Calhoun/Beech Grove, Kentucky	2028

Administrative Personnel

Tommy Burrough - Superintendent and Secretary of the Board
Amanda Hutchinson – Director of Federal Programs, Instructional Supervisor
Ashley Troutman – Director of Pupil Personnel, Transportation, and Facilities
Shannon Lindsey – Director of Federal Programs, Human Resources
Haley Hudson – Director of Special Education, FRYSC
Katie Evans – Finance Officer
Melody Chelstrom – Director of Food Services
Jason Bowman - Technology

CERTIFIED PUBLIC ACCOUNTANTS

44 Union Street, Madisonville, KY 42431 Tel.: 270-825-4578 F: 270-821-3521

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*

State Committee for School District Audits
Members of the Board of Education
McLean County School District
Calhoun, Kentucky

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, and the audit requirements prescribed by the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McLean County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered McLean County School 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 McLean County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the McLean County School 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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McLean County School 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 financial statements. 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*.

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP

Madisonville, Kentucky

January 20, 2026

CERTIFIED PUBLIC ACCOUNTANTS

44 Union Street, Madisonville, KY 42431 Tel.: 270-825-4578 F: 270-821-3521

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State Committee for School District Audits
Members of the Board of Education
McLean County School District
Calhoun, Kentucky

**Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program**

We have audited McLean County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of McLean County School District's major federal programs for the year ended June 30, 2025. McLean County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, McLean County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McLean County School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of McLean County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to McLean County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on McLean County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing*

Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about McLean County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, 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 McLean County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of McLean County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of McLean County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP
Madisonville, Kentucky
January 20, 2026

MCLEAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
for the year ended June 30, 2025

B. Findings-Financial Statements Audit

None reported

C. Findings and Questioned Costs - Major Federal Award Program Audit

None reported

D. Schedule of Prior Audit Findings

Relative to Financial Statements - None reported

Relative to Major Federal Awards – None reported

Jacqueline L. Nance, CPA
Graham T. Moore, CPA

ANJ | **Alford
Nance &
Jones, LLP**

Theresa A. Jones, CPA
Megan R. Moore, CPA

CERTIFIED PUBLIC ACCOUNTANTS

44 Union Street, Madisonville, KY 42431 Tel.: 270-825-4578 F: 270-821-3521

State Committee for School District Audits
Members of the Board of Education
McLean County School District
Calhoun, Kentucky 42327

In planning and performing our audit of the financial statements of the McLean County School District for the year ended June 30, 2025, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated January 20, 2026 contains our report on significant deficiencies and material weaknesses, if any, in the District's internal control structure. This letter does not affect our report dated January 20, 2026 on the financial statements of the McLean County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Alford, Nance & Jones, LLP

Alford, Nance & Jones, LLP
January 20, 2026

MCLEAN COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

For the year ended June 30, 2025

CURRENT YEAR MANAGEMENT LETTER POINTS

School Activity Funds Required Forms/Procedures

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: Redbook and KDE guidelines. KDE Redbook requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Ticket Requisition, (2) Fundraiser Summary, (3) Credit Card Sign In/Out Sheet, and (4) Inventory Control Worksheet.

Cause:

FORMS

- Ticket Requisition Form: We noted an instance where the Ticket Requisition Form was used but not completed properly. (MCHS)
- Fundraiser Approval and/or Summary: We noted instances where the Fundraiser Approval and/or Summary was not used or not used properly. (MCHS, MCMS, MGPEs, LES)
- Credit Card Sign In/Out Sheet: We noted instances where the credit card was signed out for extended amounts of time with no documented reason, or very loose controls on the credit card that caused multiple erroneous purchases. (MCHS, CES)
- Inventory Control Worksheet: We noted an instance where the Inventory Control Worksheet was not used properly. (MCHS, MCMS)

PROCEDURES

- We noticed instances of checks containing only one signature. (MCMS)

Effect: Failure to use proper forms and to follow proper procedures set forth by Redbook minimizes accountability for those handling school funds and, consequently, could lead to misuse of school funds.

Recommendation: We recommend that the principal and secretary at each school review Redbook and comply with its requirements regarding the use of standard forms and procedures.

Response: After each audit, I emailed each school excerpts from Redbook for each of their findings and reviewed how to improve and correct these actions. We did have a bookkeeper transition for one school. We have since had a Redbook training, and all bookkeepers attended.

LES: We have reviewed Redbook for Fundraiser Summary completion and will ensure purchases for the yearbook are reflected as expenses on the fundraiser worksheet.

MGPEs: Camera purchase for yearbook, but not reflected on the fundraiser worksheet. I will ensure that all purchases are listed as expenses on the fundraiser worksheet.

MCMS: We have reviewed Redbook for Fundraiser Summary completion and will ensure purchases for the yearbook are reflected as expenses on the fundraiser worksheet. We have reviewed the inventory control worksheet as well and will correct the way we are entering delivery data in compliance with the Redbook form. One check was found without dual signatures. We have reviewed our process and will double-check signatures during the check-writing process.

MCHS: We will review and double-check that all ticket requisitions will be filled out properly with signatures. The athletic director and advisors/coaches will also check to make sure it is correct before turning it in. This was reviewed in a meeting with all staff. We will make sure all fundraisers are accepted and approved before any event takes place, verifying with Central Office. Correct completion of the inventory worksheet has been reviewed with all parties, and we will be more mindful to double-check to make sure they are completed correctly.

MCLEAN COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

For the year ended June 30, 2025

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Purchases

Finding: We noted instances of inappropriate expenditures out of activity funds and/or instances where purchases were made before such items were approved for purchase. (MCHS, CES, LES)

Criteria: Redbook and KDE guidelines.

Cause and Effect: An error of the bookkeeper to track items to be reimbursed by the Board of Education or lack of attention to what was being purchased.

Recommendation: We recommend strict adherence to Redbook policies regarding purchasing.

Response: CES, LES, & MCHS: All principals and bookkeepers have reviewed Redbook for appropriate expenses for activity funds. When making purchases, they will refer to Redbook, pay from the appropriate funding source, and make sure the proper procedure is followed.

PRIOR YEAR MANAGEMENT LETTER POINTS (with current year status)

School Activity Funds Required Forms/Procedures

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: Redbook and KDE guidelines. KDE Redbook requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Ticket Requisition, (2) Fundraiser Summary, (3) Credit Card Sign In/Out Sheet, (4) Inventory Control Worksheet, and (5) Donation Acknowledgment Form.

Cause:

FORMS

- Ticket Requisition Form: We noted an instance where the Ticket Requisition Form was used but not completed properly. (MCHS)
- Fundraiser Summary: We noted instances where the Fundraiser Summary was not used or not used properly. (MCMS)
- Credit Card Sign In/Out Sheet: We noted instances where the credit card was signed out for extended amounts of time with no documented reason. (MCHS)
- Inventory Control Worksheet: We noted an instance where the Inventory Control Worksheet was not used properly. (MCMS, LES)
- Donation Acknowledgment Form: We noted instances where the donation acknowledgment form was not filled out for donations over the \$250 amount. (CES)

PROCEDURES

- We noticed instances of money being held overnight by teachers/sponsors or not deposited timely by the school secretary. (MCHS, CES, LES, MGPES)

Effect: Failure to use proper forms and to follow proper procedures set forth by Redbook minimizes accountability for those handling school funds and, consequently, could lead to misuse of school funds.

Recommendation: We recommend that the principal and secretary at each school review Redbook and comply with its requirements regarding the use of standard forms and procedures.

Response: After each audit I emailed each school excerpts from Redbook for each of their findings and reviewed how to improve and correct these actions. We did have a couple of new bookkeepers who had not attended

MCLEAN COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER POINTS

For the year ended June 30, 2025

Redbook training for their first year. We have since had a Redbook training and all bookkeepers were in attendance.

MGPS: The secretary will confirm with the principal and other office staff to make sure they deposit any money the day it is turned in her absence.

MCMS: In response to the audit findings, we will be more mindful of what fundraisers need inventory control worksheets and complete fundraiser summary sheets for each one correctly.

CES: I will make sure the form is completed for any donation if it is over \$250. I will remind teachers that all money needs to be turned in each morning. That way I can get it deposited the same day. If a receipt form comes to the office after the deposit has been picked up, it is locked in the vault and will be deposited the next day. We have reviewed Redbook and addressed at staff meetings.

LES: To correct the instance where the Inventory Control Worksheet was not used, I will now double check with Redbook to make sure there are forms that need to be filled out and how to fill them out properly. I have now had Redbook training, so this will help me in the future. To make sure money is not being held overnight, we will make sure to send out multiple reminders to staff when we are taking up money for fundraisers, etc., and make sure that deposits are being made daily.

MCHS: This was my first year as bookkeeper and I have now been through a Redbook training. We will review and double check that all ticket requisitions will be filled out properly with signatures. The athletic director and advisors/coaches will check also to and make sure it is correct before turning it in. Credit card sign in/out will have a sheet attached showing why the card was signed out for long periods of time due to field trips, conferences, or overnight trips for athletics. Otherwise I will make sure the cards are turned in next day. Some instances of the deposit dates did not match due to being turned in later in the day after the deposit was made or turned in on a Friday afternoon and was not deposited until the following Monday. If needed I will make a note on the form. We will remind staff again to turn in money before 12 pm during the week and not hold money in their rooms. All of these issues have been addressed in a staff meeting and reviewed with Redbook.

FYE 6/30/25: See current year comments.

Purchases

Finding: We noted instances of inappropriate expenditures out of activity funds and/or instances where purchases were made before such items were approved for purchase. (MCHS, LES)

Criteria: Redbook and KDE guidelines.

Cause and Effect: An error of the bookkeeper to track items to be reimbursed by the Board of Education or lack of attention to what was being purchased.

Recommendation: We recommend strict adherence to Redbook policies regarding purchasing.

Response:

LES: To correct instances where inappropriate expenditures out of activity funds or items were purchased before approval, we will always refer back to the Redbook and contact the finance department at Central Office when making questionable purchases. Now that I have had Redbook training, I now know what to look for. We will also get approval before purchasing items and complete PO's before purchases.

MCHS: Per Redbook, the principal and I will make sure there are no inappropriate expenditures. Questions are always asked as to why they need a PO. This was addressed in a staff meeting and will be watched more closely.

FYE 6/30/25: See current year comments.