

**LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS**

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

LEXINGTON CITY SCHOOLS – INTERNAL SCHOOL FUNDS
INDEPENDENT AUDITOR’S REPORTS, FINANCIAL STATEMENTS,
AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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LEXINGTON CITY SCHOOLS – INTERNAL SCHOOL FUNDS

ROSTER OF OFFICIALS

JUNE 30, 2024

Director of Schools

Cindy Olive

Board of Education

Chairman

Robert Helms

Vice-Chairman

Jason Bates

Carl Cooley

Jack Hinson

Ann Anderson

Jim Terry

Chad Wood



Independent Auditor's Report

Lexington City Board of Education
Lexington, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Lexington City Schools Internal School Funds, Lexington Tennessee, which comprise the combined and individual school balance sheets – regulatory basis, as of June 30, 2024, and the related combined and individual school statements of revenues, expenditures and changes in fund balances – regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying combined and individual school financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances of the Lexington City Schools Internal School Funds as of June 30, 2024, and the related revenue, expenditures, and changes in fund balances for the year then ended, in accordance with the financial reporting provisions of the *Internal Schools Funds Manual* described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Lexington City Schools Internal School Funds as of June 30, 2024, or changes in financial for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lexington City Schools Internal School Funds, and to meet our 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by Lexington City Schools Internal School Funds on the basis of the financial reporting provisions of the *Internal School Funds Manual*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Tennessee. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the *Internal School Funds Manual*, as described in Note 1. Management is also responsible 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.

Auditor's Responsibility 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lexington City Schools - Internal School Funds' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lexington City Schools - Internal School Funds' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined and individual school financial statements – regulatory basis that collectively comprise the Lexington City Schools Internal School Funds basic financial statements. In addition, our audit was conducted for the purpose of forming an opinion on the individual school financial statements – regulatory basis, presented as supplementary information. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements – regulatory basis of the schools. As described in Note A of the financial statements, the supplemental schedules, as listed in the table of contents, are prepared by the Lexington City Schools Internal School Funds on the basis of the financial reporting provisions of the *Internal School Funds Manual*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements – regulatory basis. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements - regulatory basis and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements – regulatory basis or to the basic financial statements - regulatory basis themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements – regulatory basis as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprise the introductory section, schedule of prior year findings, and management's corrective action plan but do not include the basic financial statements – regulatory basis and our auditor's report thereon. Our opinion on the basic financial statements - regulatory basis do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements – regulatory basis, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements - regulatory basis, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the Lexington City Schools – Internal School Funds 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 Lexington City Schools – Internal School Funds' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lexington City Schools – Internal School Funds internal control over financial reporting and compliance.

Doehner Associates, PLLC

November 11, 2024

LEXINGTON CITY SCHOOLS - INTERNAL SCHOOL FUNDS
COMBINED BALANCE SHEET - REGULATORY BASIS - ALL SCHOOLS
JUNE 30, 2024

	Caywood Elementary School	Lexington Middle School	Totals
ASSETS			
Cash in bank	\$ 109,011	\$ 115,624	\$ 224,635
Accounts receivable	264	-	264
Total assets	\$ 109,275	\$ 115,624	\$ 224,899
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 179	\$ 7,020	\$ 7,199
Fund Balances:			
Restricted	109,096	108,604	217,700
Total fund balances	109,096	108,604	217,700
Total liabilities and fund balances	\$ 109,275	\$ 115,624	\$ 224,899

LEXINGTON CITY SCHOOLS - INTERNAL SCHOOL FUNDS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS - ALL SCHOOLS**

FOR THE YEAR ENDED JUNE 30, 2024

	Caywood Elementary School	Lexington Middle School	Total
Fund balances, July 1, 2023	<u>\$ 91,989</u>	<u>\$ 94,128</u>	<u>\$ 186,117</u>
Revenues	128,343	152,343	280,686
Expenditures	<u>111,236</u>	<u>137,867</u>	<u>249,103</u>
Excess of revenues over (under) expenditures	<u>17,107</u>	<u>14,476</u>	<u>31,583</u>
Other financing sources (uses)			
Operating transfers in	-	3,680	3,680
Operating transfers out	<u>-</u>	<u>(3,680)</u>	<u>(3,680)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>17,107</u>	<u>14,476</u>	<u>31,583</u>
Fund balances, June 30, 2024	<u><u>\$ 109,096</u></u>	<u><u>\$ 108,604</u></u>	<u><u>\$ 217,700</u></u>

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

LEXINGTON CITY SCHOOLS
CAYWOOD ELEMENTARY SCHOOL - INTERNAL SCHOOL FUNDS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2024

	ASSETS			LIABILITIES AND FUND BALANCES				
	Cash In Bank	Accounts Receivable	Total Assets	Liabilities		Fund Balances		Total
				Accounts Payable	Total Liabilities	Restricted	Total Fund Balances	Liabilities and Fund Balances
GENERAL FUND	\$ 54,346	\$ 264	\$ 54,610	\$ 179	\$ 179	\$ 54,431	\$ 54,431	\$ 54,610
RESTRICTED FUND								
Class Accounts:								
Class of 2028	144	-	144	-	-	144	144	144
Class of 2027	85	-	85	-	-	85	85	85
Class of 2026	3	-	3	-	-	3	3	3
Other Accounts:								
Basketball	13,869	-	13,869	-	-	13,869	13,869	13,869
Grants	374	-	374	-	-	374	374	374
Student teacher funds	31	-	31	-	-	31	31	31
CSH backpack program	25,790	-	25,790	-	-	25,790	25,790	25,790
Student recognition awards	4,026	-	4,026	-	-	4,026	4,026	4,026
Teacher fund expenses	93	-	93	-	-	93	93	93
Annual	1,161	-	1,161	-	-	1,161	1,161	1,161
Library	931	-	931	-	-	931	931	931
Music	312	-	312	-	-	312	312	312
Books/magazine clubs	76	-	76	-	-	76	76	76
Other charities	3,522	-	3,522	-	-	3,522	3,522	3,522
Elementary TISA faculty	4,248	-	4,248	-	-	4,248	4,248	4,248
TOTAL RESTRICTED FUND	54,665	-	54,665	-	-	54,665	54,665	54,665
TOTAL GENERAL AND RESTRICTED FUNDS	\$ 109,011	\$ 264	\$ 109,275	\$ 179	\$ 179	\$ 109,096	\$ 109,096	\$ 109,275

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

LEXINGTON CITY SCHOOLS

CAYWOOD ELEMENTARY SCHOOL - INTERNAL SCHOOL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2024

	Fund Balances 7/1/2023	Revenues	Expenditures	Other Financing Sources (Uses)		Fund Balances 6/30/2024
				Transfer In	Transfer Out	
GENERAL FUND:						
BOE Allocation - Instructional Supplies	\$ -	\$ 11,500	\$ 11,499	\$ -	\$ -	\$ -
BOE Allocation - Contracted Services	-	1,000	-	-	-	-
BOE Allocation - Other Supplies	-	4,025	4,025	-	-	-
BOE Allocation - Other Supplies (Support)	-	3,500	3,500	-	-	-
BOE Allocation - Library Books/Media	-	6,300	6,286	-	-	-
BOE Allocation - Postal Charge	-	1,050	1,050	-	-	-
BOE Allocation - Office Supplies	-	1,500	1,500	-	-	-
Resale items	-	8,820	-	-	-	-
Interest Income	-	887	-	-	-	-
Fines, fees, and dues	-	991	-	-	-	-
Administration	-	-	1,506	-	-	-
Instruction	-	-	1,000	-	-	-
TOTAL GENERAL FUND	45,224	39,573	30,366	-	-	54,431
RESTRICTED FUND:						
Class Accounts:						
Class of 2029	-	4,186	4,186	-	-	-
Class of 2028	-	4,013	3,869	-	-	144
Class of 2027	-	4,098	4,013	-	-	85
Class of 2026	279	1,520	1,796	-	-	3
Class of 2025	473	3,436	3,909	-	-	-
Class of 2024	-	2,301	2,301	-	-	-
Other Accounts:						
Basketball	11,803	21,317	19,251	-	-	13,869
Grants	2	3,617	3,245	-	-	374
Student teacher funds	-	31	-	-	-	31
CSH backpack program	22,444	4,135	789	-	-	25,790
Student recognition awards	1,249	20,962	18,185	-	-	4,026
Teacher fund expenses	174	2,086	2,167	-	-	93
Annual	1,180	6,353	6,372	-	-	1,161
Library	1,038	-	107	-	-	931
Music	312	-	-	-	-	312
Books/magazine clubs	76	115	115	-	-	76
Other charities	3,584	1,200	1,262	-	-	3,522
Elementary TISA faculty	4,151	9,400	9,303	-	-	4,248
TOTAL RESTRICTED FUND	46,765	88,770	80,870	-	-	54,665
TOTAL GENERAL AND RESTRICTED FUNDS	\$91,989	\$ 128,343	\$ 111,236	\$ -	\$ -	\$109,096

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

LEXINGTON CITY SCHOOLS
LEXINGTON MIDDLE SCHOOL - INTERNAL SCHOOL FUNDS
BALANCE SHEET - REGULATORY BASIS
LEXINGTON MIDDLE SCHOOL
JUNE 30, 2024

	ASSETS			LIABILITIES AND FUND BALANCES				
	Cash In Bank	Accounts Receivable	Total Assets	Liabilities		Fund Balances		Total Liabilities and Fund Balances
				Accounts Payable	Total Liabilities	Restricted	Total Fund Balances	
GENERAL FUND	\$ 16,317	\$ -	\$ 16,317	\$ 7,020	\$ 7,020	\$ 9,297	\$ 9,297	\$ 16,317
RESTRICTED FUND								
Athletic Accounts:								
Athletics	65,391	-	65,391	-	-	65,391	65,391	65,391
Class Accounts:								
Class of 2026	80	-	80	-	-	80	80	80
Class of 2025	541	-	541	-	-	541	541	541
Club Accounts:								
Beta Club	4,926	-	4,926	-	-	4,926	4,926	4,926
Chess Club	159	-	159	-	-	159	159	159
Drama	2,684	-	2,684	-	-	2,684	2,684	2,684
Other Accounts:								
Band Instruments	49	-	49	-	-	49	49	49
Academic banquet fund	3,184	-	3,184	-	-	3,184	3,184	3,184
Veterans day	3	-	3	-	-	3	3	3
Teacher fund expense	324	-	324	-	-	324	324	324
Art fund	369	-	369	-	-	369	369	369
Annual	8,801	-	8,801	-	-	8,801	8,801	8,801
Library	1,072	-	1,072	-	-	1,072	1,072	1,072
Grants	5,000	-	5,000	-	-	5,000	5,000	5,000
MVP Awards	6,384	-	6,384	-	-	6,384	6,384	6,384
Middle School TISA pool	340	-	340	-	-	340	340	340
TOTAL RESTRICTED FUND	99,307	-	99,307	-	-	99,307	99,307	99,307
TOTAL GENERAL AND RESTRICTED FUNDS	\$ 115,624	\$ -	\$ 115,624	\$ 7,020	\$ 7,020	\$ 108,604	\$ 108,604	\$ 115,624

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

LEXINGTON CITY SCHOOLS

LEXINGTON MIDDLE SCHOOL - INTERNAL SCHOOL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2024

	Fund Balances 7/1/2023	Revenues	Expenditures	Other Financing Sources (Uses)		Fund Balances 6/30/2024
				Transfers In	Transfers Out	
GENERAL FUND						
BOE Allocation - Instructional Supplies	\$ -	\$ 5,300	\$ 4,837	\$ -	\$ -	\$ -
BOE Allocation - Contracted Services	-	1,000	195	-	-	-
BOE Allocation - Other Supplies	-	1,725	796	-	-	-
BOE Allocation - Other Supplies (Support)	-	3,750	2,166	-	-	-
BOE Allocation - Dues and Memberships	-	750	75	-	-	-
BOE Allocation - Postal Charge	-	450	445	-	-	-
BOE Allocation - Office Supplies	-	750	244	-	-	-
Interest	-	878	-	-	-	-
Fines, fees, and dues	-	580	-	-	-	-
Supplies and materials	-	-	821	-	-	-
Operation and maintenance	-	-	702	-	-	-
TOTAL GENERAL FUND	4,395	15,183	10,281	-	-	9,297
RESTRICTED FUND						
Athletic Accounts:						
Athletics	58,882	64,039	57,530	-	-	65,391
Class Accounts:						
Class of 2026	-	1,225	2,145	1,000	-	80
Class of 2025	-	1,460	2,264	1,345	-	541
Class of 2024	624	9,201	10,480	1,000	345	-
Club Accounts:						
Beta Club	2,734	11,734	9,542	-	-	4,926
Chess Club	-	525	366	-	-	159
Drama	1,706	2,392	1,414	-	-	2,684
Other Accounts:						
Band Instruments	939	7,758	8,648	-	-	49
Academic banquet fund	2,571	2,806	2,193	-	-	3,184
Veterans day	3	-	-	-	-	3
Teacher fund expense	98	1,035	809	-	-	324
Art fund	795	302	728	-	-	369
Annual	7,224	11,358	9,781	-	-	8,801
Library	2,191	3,350	4,469	-	-	1,072
Grants	5,000	5,000	5,000	-	-	5,000
MVP Awards	6,125	11,375	8,116	-	3,000	6,384
Middle School TISA pool	9	-	4	335	-	340
Middle School TISA faculty	832	3,600	4,097	-	335	-
TOTAL RESTRICTED FUND	89,733	137,160	127,586	3,680	3,680	99,307
TOTAL GENERAL AND RESTRICTED FUNDS	\$ 94,128	\$ 152,343	\$ 137,867	\$ 3,680	\$ 3,680	\$ 108,604

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

**LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

Background

Tennessee Code Annotated (TCA), Section 49-2-110, provides for internal school funds, establishes responsibility for those funds, and requires schools to adopt and follow a uniform accounting manual.

NOTE 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

This report includes only the internal school funds of Lexington City School System. The internal school funds are included in the Henderson County’s financial report within the special revenue fund. Internal school funds consist of financial resources accounted for at the individual schools.

Internal School Funds

Internal school funds reported in the accompanying financial statements include donations and grants made to the individual schools; fees collected by schools; funds received from the local board of education; funds raised through cooperative agreements; rental fees; and student activity funds.

Student Activity Funds

Student activity funds include all money received from any source for school-sponsored student activities or school-sponsored events held at or in connection with a school, and specifically include, but are not limited to funds:

- Derived from a school-sponsored academic, art, athletic, or social event involving students;
- Raised by school-sponsored clubs involving students;
- Raised by school-sponsored fundraisers involving students who are under the supervision of a school employee;
- Received from a commission for the direct sale of items to students pursuant to a cooperative agreement between the school and an outside organization;
- Received for the direct sale of items to students from a school-run bookstore located on school grounds;
- Raised from fees charged to students;
- Obtained from interest from any account that contains student activity funds; and
- Obtained from any related school-sponsored activity that involves the use of school personnel, students, and property during the school day.

B. Regulatory Basis of Accounting

The accounting and financial reporting requirements for internal school funds are set forth in the *Internal School Funds Manual*, issued by the Tennessee Department of Education and the Tennessee Comptroller of the Treasury. The requirements established in the *Internal School Funds Manual* differ from generally accepted accounting principles primarily in the presentation of the financial statements and restricted fund revenue and expenditure accounting and reporting. The following is a summary of the basic requirements of this regulatory basis of accounting, which is an “other comprehensive basis of accounting.”

The financial statements consist of balance sheets and statements of revenues, expenditures, and changes in fund balances.

**LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

The combined financial statements present all of the individual schools in a columnar format and are required to be presented before the notes to the financial statements. These statements focus on each of the individual schools rather than the funds within the schools. In keeping with that focus, the columnar headings identify the individual schools rather than the funds.

The individual school financial statements present the detailed fund activity in each school and are included after the combined financial statements and before the notes to the financial statements.

Revenues are classified by source and expenditures are classified by either function or object for the general fund, but not the restricted fund. Revenues and expenditures of the restricted fund are recorded based on the specific group or activity which will benefit or expend the funds. The activity in the restricted "accounts" is presented as total revenues and transfers in and total expenditures and transfers out for each account. A corresponding "fund balance" is presented for each account. Although the restricted fund is a single fund, each account within the fund must present its portion of the restricted fund balance. Transfers reported on the financial statements represent authorized movement of funds between restricted accounts as well as between the general fund and restricted fund.

C. Measurement Focus and Basis of Accounting

The accompanying financial statements are reported using the current financial resources measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheets. Internal school funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Management policies define available as collectible within 60 days after the fiscal year end. Expenditures are generally recognized when the related fund liability is incurred, if measurable.

D. Fund Structure

The accounts of individual schools are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of the fund's assets, liabilities, fund equity, revenues and expenditures. The funds are grouped in the accompanying financial statements as follows:

General Fund

The general fund is used to account for all money to be used for the general operation of the school or for the welfare of the student body. Revenues and expenditures in this fund are not restricted to any specific group or activity.

Restricted Fund

The restricted fund is used to account for money that is restricted for the use of a specific segment of the school population or legally restricted for a specific purpose and not intended to benefit the general school population.

**LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

E. Inventory

Inventories are stated at lower of cost (first-in, first-out) or market (net realizable value). The purchases method is used to account for inventories. Under the purchases method, inventories are reported as an expenditure when purchased (or when received for donated items) rather than being capitalized as an asset. However, significant amounts of inventory, if any, on hand at year-end are reported as an asset in the financial statements. The fair value of donated goods and supplies are recognized as revenues and expenditures in the financial statements. For the current year, no significant amounts of such donations were received.

F. Fund Balances

Restricted Fund Balance

Fund balances reported as restricted are the result of externally imposed restrictions placed upon certain resources accounted for in the restricted funds. All internal school fund activity is restricted in accordance with TCA Section 49-2-110.

When both restricted and unrestricted resources are available for use, it is the school system's policy to use restricted resources first, then unrestricted resources as they are needed. The internal school funds did not report any unrestricted resources for the period.

Unassigned Fund Balance

This classification represents a deficit fund balance.

NOTE 2 – Budgetary Information

Legally appropriated budgets have not been adopted at the individual school level. Therefore, presentation of budgetary comparison information is not required.

NOTE 3 – Deposits

Legal Provisions

All deposits with financial institutions in excess of FDIC limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution(s) that participates in the State of Tennessee Bank Collateral Pool administered by the state treasurer. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

Cash Deposits

Cash in bank represents funds on deposit in various depositories.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the school's deposits may not be returned to it. None of the school's deposits were exposed to custodial credit risk because all balances were entirely insured by the FDIC or through the Bank Collateral Pool with the State of Tennessee.

**LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 4 – Accounts Payable

Accounts payable balances represent amounts due to vendors at year-end. All accounts payable balances were approved by the Board of Education.

NOTE 5 – Transfers

Transfers completed during the fiscal year were for interfund donations and residual fund balance transfers.

NOTE 6 – Long-Term Leases and Commitments

All long-term lease contracts that obligate a school for more than one school year are approved and accounted for by the Board of Education.

NOTE 7 – Capital Assets

Capital assets acquired by the individual schools are recorded as expenditures at the time of purchase. Title and accountability for capital assets purchased pass automatically to the board of education.

NOTE 8 – Risk Management

Lexington City School System internal school funds are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Henderson County, Tennessee carries commercial insurance. Settlements have not exceeded coverage for each of the past three fiscal years.

LEXINGTON CITY SCHOOLS - INTERNAL SCHOOL FUNDS

SCHEDULE OF TRANSFERS - BY SCHOOL

FOR THE YEAR ENDED JUNE 30, 2024

CAYWOOD ELEMENTARY SCHOOL

NONE

LEXINGTON MIDDLE SCHOOL

Transfer From

Transfer To

	<u>Student Rewards</u>	<u>Class of 2024</u>	<u>Middle School TISA Faculty Fund</u>	<u>TOTAL</u>
Middle School Tisa Pool Money	\$ -	\$ -	\$ 335	\$ 335
Class of 2024	1,000	-	-	1,000
Class of 2025	1,000	345	-	1,345
Class of 2026	1,000	-	-	1,000
TOTAL TRANSFERS	<u>\$ 3,000</u>	<u>\$ 345</u>	<u>\$ 335</u>	<u>\$ 3,680</u>

LEXINGTON CITY SCHOOLS - INTERNAL SCHOOL FUNDS

SCHEDULE OF SALARY SUPPLEMENTS - BY SCHOOL

JUNE 30, 2024

CAYWOOD ELEMENTARY SCHOOL

NONE

LEXINGTON MIDDLE SCHOOL

NONE

LEXINGTON CITY SCHOOLS
INTERNAL SCHOOL FUNDS
SCHEDULE OF FIDELITY BOND COVERAGE

JUNE 30, 2024

Company:	TN RMT
Type of Coverage:	Employee Fidelity Bond
Amount:	\$400,000 each and every loss
Period Covered:	07/01/2023 - 6/30/2024
Positions Covered:	All Employees



**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***

Lexington City School System Board of Education
Lexington, Tennessee

We have audited, 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, the accompanying combined balance sheet – regulatory basis of the Lexington City Schools - Internal School Funds, Lexington, Tennessee, (the Schools) as of June 30, 2024, and the related combined statement of revenues, expenditures and changes in fund balances – regulatory basis for the year then ended, and the related notes to the financial statements, as listed in the table of contents. We also have audited the individual school balance sheets – regulatory basis, and the individual school statements of revenues, expenditures and changes in fund balances – regulatory basis presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual school financial statements as of and for the year ended June 30, 2024, as listed in the table of contents. We have issued our report thereon dated November 11, 2024. The report on Lexington City Schools – Internal School Funds was issued with an adverse opinion on U. S. generally accepted accounting principles and an unmodified opinion on regulatory basis of accounting because the financial statements were prepared in conformity with the accounting practices prescribed by the *Internal Schools Funds Manual*, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schools' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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. We consider the deficiency listed below to be a material weakness. *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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency (2024-001) in internal control described below that we consider to be a material weakness.

2024-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2007-01: All schools.

Condition: The duties of receiving cash, reconciling bank statements, preparing checks, and posting all transactions are handled by each school's bookkeeper. At some schools, the person opening the mail does not prepare a collection log.

Criteria: The *Internal School Funds Manual* Section 6, Title 5, Page 6-7 states, "When designing your transaction processes, there should be a clear segregation of duties and responsibilities performed by personnel such that no single person could initiate, approve, execute, and enter transactions into your system in a manner that would enable fraudulent actions to be perpetrated and concealed." In regards to the revenue/collection cycle, the *Internal School Funds Manual* Section 4, Title 2, Page 4-8 states, "To the extent possible, the following duties should not be performed by the same individual: receiving cash, making bank deposits, maintaining the accounting records, and reconciling bank accounts." In regards to the purchasing/disbursement cycle, the *Internal School Funds Manual* Section 4, Title 2, Page 4-10 states, "To the extent possible, the following duties should not be performed by the same person: approving requisitions, preparing purchase authorizations, receiving goods or services, approving payment, preparing checks, signing checks, and preparing bank reconciliations."

Cause: Not enough available staff.

Effect: Weakened internal controls.

Recommendation: An effective internal control system provides for adequate segregation of duties. Therefore, we recommend that the principals review the current level of control and modify where deemed necessary.

Managements' Responses:

Caywood Elementary School and Lexington Middle School

The Lexington City School System has employed full-time bookkeepers at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the central office. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff bookkeepers.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schools' combined and individual financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

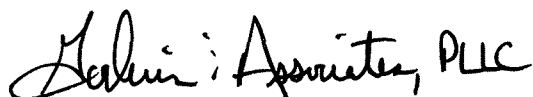
amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Lexington City Schools - Internal School Funds' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on The Internal School Funds' response to the finding identified in our audit is described above. The Internal School Funds' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Delvin Associates, PLLC". The signature is written in a cursive, flowing style.

November 11, 2024

LEXINGTON CITY SCHOOLS - INTERNAL SCHOOL FUNDS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Financial Statement Findings

Finding Number	Finding Title	Status
2023-001	Inadequate Segregation of Duties (original finding #2007-01)	Repeated/ 2024-001



Lexington City School System
Cindy Olive, Director of Schools
99 Monroe Avenue -
Lexington, TN 38351
731-967-5591 Phone
731-967-0794 FAX

MANAGEMENT'S CORRECTIVE ACTION PLAN

FINDING 2024 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties within the constraints of the limited office staff.

Anticipated completion date

6/30/2025

Responsible party

Each individual school's principal

Signed _____

Cindy Olive 11/13/24