

**LEXINGTON CITY
SCHOOL SYSTEM**

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

LEXINGTON CITY SCHOOL SYSTEM

LEXINGTON, TENNESSEE

BOARD OF EDUCATION

**INDEPENDENT AUDITOR’S REPORTS, FINANCIAL STATEMENTS,
AND SUPPLEMENTAL INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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LEXINGTON CITY SCHOOL SYSTEM

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 School System
Lexington, Tennessee

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lexington City School System (the System) a department of the City of Lexington, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the System'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 and each major fund of Lexington City School System, Lexington, Tennessee, as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the General School Purpose Fund and the School Food Authority Fund 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. 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 System 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 1., the financial statements present only the System and are not intended to present fairly the financial position of the City of Lexington, Tennessee, as of June 30, 2024, the changes in its financial position or, where applicable, its cash flows for the year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America. 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 the System'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 the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System'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 and the pension and OPEB liability schedules on pages 5 through 8 and pages 44 through 48 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 System's basic financial statements. The accompanying supplementary information and the 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*, on pages 49 through 53 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements 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, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, 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 December 11, 2024, on our consideration of the Lexington City School System'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 effectiveness of the 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 System's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Malvin Associates, PLLC".

December 11, 2024

**LEXINGTON CITY SCHOOL SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

Our discussion and analysis of the Lexington City School System (the System) will offer readers of the System's financial statements a narrative overview and review of the financial activities of the System for the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with the System's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 9 and 10) provide information about the activities of the System as a whole and present a longer-term view of the System's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the System's operations in more detail than the government-wide statements by providing information about the System's most significant funds.

Reporting the System as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the System as a whole begins on page 9. The following is one of the most important questions asked about the System's finances, "Is the System as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the System as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the System's net position and changes in it. You can think of the System's net position – the difference between assets and liabilities – as one way to measure the System's health, or financial position. Over time, increases or decreases in the System's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, there is only one kind of activity:

- Governmental activities –The System's basic services are reported here, including the general-purpose school fund, school food activity fund, and the debt service fund. Federal, State, and Local contributions finance most of these activities.

Reporting the System's Most Significant Funds

Our analysis of the System's major funds begins on page 11. The fund financial statements begin on page 11 and provide detailed information about the most significant funds (not the System as a whole). Some funds are required to be established by State law. The System's governmental funds are defined below.

- *Governmental Funds* – Most of the System's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the System's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the System's programs. We describe the relationship (or differences) between governmental activities

(reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.

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. The notes to the financial statements can be found on pages 22 – 43.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary concerning the System’s progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 44 – 48.

THE SYSTEM AS A WHOLE

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the System, assets exceeded liabilities by \$12,788,206 as of June 30, 2024.

	Governmental Activities	
	2024	2023
Current and other assets	\$ 3,149,030	\$ 3,307,655
Net pension asset	1,192,686	1,237,507
Capital assets	11,617,743	11,224,408
Total assets	<u>15,959,459</u>	<u>15,769,570</u>
Deferred outflows of resources	<u>1,444,493</u>	<u>1,593,259</u>
Long-term liabilities	3,192,809	3,628,085
Total OPEB liability	889,301	811,988
Other liabilities	189,615	145,917
Total liabilities	<u>4,271,725</u>	<u>4,585,990</u>
Deferred inflows of resources	<u>344,021</u>	<u>483,794</u>
Net Position:		
Net investment in capital assets	8,424,934	7,596,323
Restricted	1,627,168	1,636,510
Unrestricted	2,736,104	3,060,212
	<u>\$ 12,788,206</u>	<u>\$ 12,293,045</u>

The System’s governmental net position increased by \$491,574.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. It identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

The following table provides a summary of the System’s operations for the year ended June 30, 2024, with comparative totals for the year ended June 30, 2023.

	Governmental Activities	
	2024	2023
Revenues:		
Program Revenues		
Fees, fines and charges for services	\$ 369,858	\$ 326,379
Operating grants and contributions	8,332,194	8,239,474
Capital grants and contributions	725,723	-
General revenues:		
Taxes	1,286,725	1,387,483
Insurance recovery	54,763	265,707
Investment earnings	30,385	21,281
Miscellaneous	217,021	112,403
Total revenues	11,016,669	10,352,727
Expenses:		
Health, Welfare and Recreation	12,064,365	11,238,478
Decrease in net position before transfers	(1,047,696)	(885,751)
Transfers	1,539,270	1,533,290
Increase in net position	491,574	647,539
Net position - beginning of year, as originally stated	12,293,045	11,649,608
Inventory adjustment - food authority fund	3,587	(4,102)
Net position - beginning of year, as restated	12,296,632	11,645,506
Net position - end of year	\$ 12,788,206	\$ 12,293,045

Revenues and expenses remained relatively the same.

THE SYSTEM'S FUNDS

As the System completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$2,967,453 which is 6% below last year's total of \$3,169,776.

The following schedule presents a summary of general-purpose school and school food authority fund revenues and expenditures for the fiscal year ended June 30, 2024, and the amount of increases and decreases in relation to the prior year.

Revenues	June 30, 2024	Percent of Total	Increase (Decrease) from June 30, 2023
Henderson County	\$ 1,286,725	11.74%	\$ (100,758)
State of Tennessee	6,804,940	62.08%	864,893
Federal Government	2,198,221	20.05%	(59,302)
Internal School Funds	280,686	2.56%	28,757
Other revenues	391,334	3.57%	137,240
Total Revenues	\$ 10,961,906	100.00%	\$ 870,830

The amounts received from the Federal and State governments varies from year to year according to Federal and State budgets.

Expenditures	June 30, 2024	Percent of Total	(Increase) Decrease from June 30, 2023
Instruction	\$ 5,691,597	44.60%	\$ 23,766
Support Services	1,765,329	13.83%	162,063
General Administration	2,587,757	20.28%	262,031
Early Childhood Education	213,648	1.67%	7,455
Internal Schools Funds	249,103	1.95%	12,546
Food Services	851,525	6.67%	92,887
Debt service	476,270	3.73%	5,980
Capital outlay	926,620	7.26%	624,320
Total Expenditures	\$ 12,761,849	100.00%	\$ 1,191,048

General Fund Budgetary Highlights

The System made several amendments to the budget during the fiscal year. The amendments involved numerous line items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2024, the System had \$11,617,743 (net of accumulated depreciation) invested in a broad range of capital assets, including buildings and various equipment. This amount represents a net increase (including additions and deductions) of \$393,335 from last year. Additional information on capital assets is in Note 3.B.

Debt

At the end of June 2024, the System had \$3,192,809 in outstanding long-term debt compared to \$3,628,085 shown in the prior year. Additional information on debt is in Note 3.E.

ECONOMIC FACTORS

In the 2024-2025 budget, the System's revenues are budgeted to approximate from the 2023-2024 budget year primarily due to increases in the local economy producing higher property taxes and higher state education funds. All of these factors were considered in preparing the System's budget for the 2024-2025 fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System. If you have any questions about this report or need additional information, contact the System at 99 Monroe Avenue, Lexington, Tennessee 38351.

Cindy Olive
Director of Schools

**LEXINGTON CITY SCHOOL SYSTEM
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2024**

	<u>Governmental Fund Types</u>
ASSETS	
Cash and cash equivalents	\$ 2,663,997
Due from other governments	351,015
Accounts receivable	264
Inventory	38,510
Hybrid Retirement Stabilization Funds	95,244
Net pension asset	1,192,686
Capital assets:	
Land, improvements and construction in progress	100,000
Other capital assets, net of depreciation	11,517,743
TOTAL ASSETS	<u>15,959,459</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - related to OPEB	282,476
Deferred outflows of resources - related to pensions	1,162,017
	<u>1,444,493</u>
LIABILITIES	
Accrued expenses	147,287
Unearned revenue	42,328
Total OPEB liability	889,301
Long-term liabilities	
Due within one year	433,616
Due in more than one year	2,759,193
TOTAL LIABILITIES	<u>4,271,725</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - OPEB	264,262
Deferred inflows of resources - related to pensions	79,759
	<u>344,021</u>
NET POSITION	
Net investment in capital assets	8,424,934
Restricted for:	
Net pension asset	1,192,686
Hybrid Retirement Stabilization Funds	95,244
Internal School Funds	217,700
School Food Service	121,538
Unrestricted	2,736,104
TOTAL NET POSITION	<u>\$ 12,788,206</u>

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

**LEXINGTON CITY SCHOOL SYSTEM
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

<u>Program Activities</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 5,506,616	\$ -	\$ 7,536,797	\$ 725,723	\$ 2,755,904
Support services	1,749,347	-	-	-	(1,749,347)
General administration	2,603,601	-	-	-	(2,603,601)
Early childhood education	209,667	-	205,817	-	(3,850)
Food services	851,525	143,928	534,824	-	(172,773)
Internal school funds	249,103	225,930	54,756	-	31,583
Interest and amortization expense	40,994	-	-	-	(40,994)
Pension expense	320,227	-	-	-	(320,227)
Depreciation - unallocated	533,285	-	-	-	(533,285)
Total government	\$ 12,064,365	\$ 369,858	\$ 8,332,194	\$ 725,723	(2,636,590)
General revenues:					
Taxes:					
Property tax					179,943
Sales tax					1,101,717
Other local taxes					5,065
Investment earnings					30,385
Insurance recovery					54,763
Miscellaneous					217,021
Transfers in					1,539,270
				Total general revenues and transfers	<u>3,128,164</u>
				Change in net position	<u>491,574</u>
				Net position - beginning, as originally stated	12,293,045
				Inventory adjustment - food authority fund	3,587
				Internal school funds - prior period adjustment	-
				Net position - beginning, as restated	<u>12,296,632</u>
				Net position - ending	<u>\$ 12,788,206</u>

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

**LEXINGTON CITY SCHOOL SYSTEM
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024**

	General Purpose School Fund	Special Revenue Funds		Totals
		School Fund Authority Fund	Internal School Funds	
ASSETS				
Cash and cash equivalents	\$ 2,356,148	\$ 83,214	\$ -	\$ 2,439,362
Due from other governments	351,015	-	-	351,015
Accounts receivable	-	-	264	264
Hybrid Retirement Stabilization Funds	95,244	-	-	95,244
Inventory	-	38,510	-	38,510
Restricted assets - cash and cash equivalents	-	-	224,635	224,635
TOTAL ASSETS	<u>\$ 2,802,407</u>	<u>\$ 121,724</u>	<u>\$ 224,899</u>	<u>\$ 3,149,030</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 7,199	\$ 7,199
Accrued expenses	132,050	-	-	132,050
Unearned revenue	42,142	186	-	42,328
TOTAL LIABILITIES	<u>174,192</u>	<u>186</u>	<u>7,199</u>	<u>181,577</u>
FUND BALANCE				
Restricted				
School Food Authority Fund	-	121,538	-	121,538
Hybrid Retirement Stabilization Funds	95,244	-	-	95,244
Internal School Funds	-	-	217,700	217,700
Assigned				
Capital projects	-	-	-	-
Unassigned				
General purpose school fund	2,532,971	-	-	2,532,971
TOTAL FUND BALANCE	<u>2,628,215</u>	<u>121,538</u>	<u>217,700</u>	<u>2,967,453</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,802,407</u>	<u>\$ 121,724</u>	<u>\$ 224,899</u>	

Amounts reported for governmental activities in the statement of net position are difference because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.	(3,192,809)
Accrued interest is not reported in the governmental funds balance sheet but is recorded for government-wide purposes	(8,038)
Net pension asset and deferred inflows and outflows are not reported in the governmental funds but are for government-wide purposes	2,274,944
Total OPEB liability and deferred inflows and outflows are not reported in the governmental funds but are for government-wide purposes	(871,087)
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>11,617,743</u>
Net position of governmental activities	<u>\$ 12,788,206</u>

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

**LEXINGTON CITY SCHOOL SYSTEM
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2024**

	General Purpose School Fund	Special Revenue Funds		Debt Service Fund	Totals
		School Fund Authority Fund	Internal School Funds		
Revenues					
Henderson County	\$ 1,286,725	\$ -	\$ -	\$ -	\$ 1,286,725
State of Tennessee	6,800,920	4,020	-	-	6,804,940
Federal Government	1,667,417	530,804	-	-	2,198,221
Internal School Funds	-	-	280,686	-	280,686
Other revenues	243,954	147,380	-	-	391,334
Total Revenues	9,999,016	682,204	280,686	-	10,961,906
Expenditures					
Instruction					
Regular	4,802,990	-	-	-	4,802,990
Alternative	26,000	-	-	-	26,000
Special education	711,803	-	-	-	711,803
Student body education	150,804	-	-	-	150,804
Support services					
Attendance	7,417	-	-	-	7,417
Health instruction program	206,401	-	-	-	206,401
Other student support	216,304	-	-	-	216,304
Regular instruction program	842,080	-	-	-	842,080
Special education	55,343	-	-	-	55,343
Technology	437,784	-	-	-	437,784
General administration					
Board of education	207,065	-	-	-	207,065
Office of education	147,790	-	-	-	147,790
Office of principal	606,488	-	-	-	606,488
Fiscal services	287,773	-	-	-	287,773
Plant operations	865,505	-	-	-	865,505
Plant maintenance	473,136	-	-	-	473,136
Early childhood education	213,648	-	-	-	213,648
Food services	-	851,525	-	-	851,525
Internal School Funds	-	-	249,103	-	249,103
Debt service	-	-	-	476,270	476,270
Capital outlay	926,620	-	-	-	926,620
Total Expenditures	11,184,951	851,525	249,103	476,270	12,761,849
Excess (deficiency) of revenues over (under) expenditures	(1,185,935)	(169,321)	31,583	(476,270)	(1,799,943)
Other financing sources and (uses)					
Transfers in	1,063,000	150,000	3,680	476,270	1,692,950
Transfers out	(150,000)	-	(3,680)	-	(153,680)
Insurance recovery	54,763	-	-	-	54,763
Total other financing sources and (uses)	967,763	150,000	-	476,270	1,594,033
Net change in fund balance	(218,172)	(19,321)	31,583	-	(205,910)
Fund balance - beginning of year, as previously reported	2,846,387	137,272	186,117	-	3,169,776
Change in reserve for inventory	-	3,587	-	-	3,587
Fund balance - beginning of year, as restated	2,846,387	140,859	186,117	-	3,173,363
Fund balance - end of year	\$ 2,628,215	\$ 121,538	\$ 217,700	\$ -	\$ 2,967,453

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

**LEXINGTON CITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total government funds \$ (205,910)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

428,041

Accrued interest is not recorded on governmental funds. It is however recorded on the government-wide statements.

7,235

Governmental funds do not record net pension liabilities, deferred inflows/outflows of resources related to pensions. However, the government-wide statement of activities and changes in net assets reports the effects of these items.

(58,007)

Net effect of GASB Statement No. 75 being posted on government-wide statements. Fund statements do not reflect these adjustments.

(73,120)

Capital asset adjustment was reported on the government-wide statement of activities and changes in net assets, but not on the governmental statements.

926,620

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in government funds.

(533,285)

Change in net position of governmental activities

\$ 491,574

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

**LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2023</u>	<u>Add: Encumbrances 6/30/2024</u>	<u>Actual Revenues/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
Revenues							
Intergovernmental revenues							
Local funds							
Henderson County							
Current year tax levy	\$ 300,000	\$ 300,000	\$ 162,102	\$ -	\$ -	\$ 162,102	\$ (137,898)
Prior year tax receipts	15,500	15,500	17,841	-	-	17,841	2,341
Mixed drink tax	100	100	136	-	-	136	36
Local sales tax	860,000	860,000	1,101,581	-	-	1,101,581	241,581
Bank excise tax	4,500	4,500	1,799	-	-	1,799	(2,701)
Marriage licenses	300	300	321	-	-	321	21
Payments in lieu of taxes	7,800	7,800	2,945	-	-	2,945	(4,855)
State funds							
Tennessee Investment in Student	6,263,532	6,345,852	6,348,938	-	-	6,348,938	3,086
Tennessee Investment in Student salary equity	76,985	76,985	76,983	-	-	76,983	(2)
Early childhood education	205,816	240,189	205,817	-	-	205,817	(34,372)
Safe Schools & SRO	-	41,080	41,080	-	-	41,080	-
Camps - Bridge, Summer, Mini	-	134,701	96,677	-	-	96,677	(38,024)
Career ladder	15,000	15,000	14,708	-	-	14,708	(292)
Paid parental leave	-	-	16,717	-	-	16,717	16,717
Federal funds							
Title I grants	314,081	303,979	245,366	-	-	245,366	(58,613)
Title IIA grants	-	-	38,661	-	-	38,661	38,661
Title 4A grants	-	-	17,867	-	-	17,867	17,867
Title VI grants	26,339	32,510	26,452	-	-	26,452	(6,058)
Distance learning & telemedicine grant	-	847,720	677,259	-	-	677,259	(170,461)
English language acquisition grant	506	580	580	-	-	580	-
IDEA basic grant	199,308	237,044	230,908	-	-	230,908	(6,136)
IDEA preschool	5,683	6,102	6,102	-	-	6,102	-
TN All Corps - ESSER	-	89,600	47,760	-	-	47,760	(41,840)
Elementary Second School Emer Relief - ESSER ARP 3.0	-	303,462	303,462	-	-	303,462	-
Literacy training - ESSER	-	3,000	3,000	-	-	3,000	-
Covid-19 ESSER B	-	73,250	70,000	-	-	70,000	(3,250)
Total Intergovernmental revenues	8,295,450	9,939,254	9,755,062	-	-	9,755,062	(184,192)
Other revenues							
Interest income	7,200	7,200	29,561	-	-	29,561	22,361
Receipts from individual schools	1,000	133,248	134,508	-	-	134,508	1,260
On-behalf payments	-	50,000	61,830	-	-	61,830	11,830
Miscellaneous revenues	2,500	2,500	18,055	-	-	18,055	15,555
Total other revenues	10,700	192,948	243,954	-	-	243,954	51,006
Total Revenues	8,306,150	10,132,202	9,999,016	-	-	9,999,016	(133,186)

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

**LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024**

Expenditures	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Instruction							
Regular instruction program							
Teachers	2,833,448	2,574,686	2,558,796	-	-	2,558,796	15,890
Career ladder program	9,000	9,000	7,000	-	-	7,000	2,000
Educational assistants	265,078	292,967	278,541	-	-	278,541	14,426
Educational assistants - Esser 3.0 - ARP	-	154,783	154,783	-	-	154,783	-
Educational assistants - TN All Corps	-	33,000	27,326	-	-	27,326	5,674
Bonus payments	100,000	142,320	137,900	-	-	137,900	4,420
Other salaries and wages	-	149,199	149,199	-	-	149,199	-
Other salaries and wages - TN All Corps	-	37,411	11,636	-	-	11,636	25,775
Other salaries and wages - Literacy Training Stipend Grant	-	3,000	3,000	-	-	3,000	-
Certified substitute teachers	24,000	51,655	51,655	-	-	51,655	-
Non-certified substitute teachers	30,000	49,937	49,937	-	-	49,937	-
Social security	201,241	188,251	179,175	-	-	179,175	9,076
Social security - Esser 3.0 - ARP	-	8,969	8,969	-	-	8,969	-
Social security - TN All Corps	-	4,475	2,293	-	-	2,293	2,182
Administrative fees	2,750	2,750	-	-	-	-	2,750
State retirement	199,312	206,055	189,822	-	-	189,822	16,233
State retirement - TN All Corps	-	2,684	777	-	-	777	1,907
Life insurance	6,120	6,120	5,315	-	-	5,315	805
Medical insurance	479,012	475,217	475,191	-	-	475,191	26
Medical insurance - Esser 3.0 - ARP	-	44,603	44,603	-	-	44,603	-
Dental insurance	6,914	7,254	7,219	-	-	7,219	35
Dental insurance - Esser - ARP	-	540	540	-	-	540	-
Unemployment compensation	4,150	4,199	(1,935)	-	-	(1,935)	6,134
Unemployment compensation - Esser - ARP	-	208	208	-	-	208	-
Local retirement	15,904	3,294	1,925	-	-	1,925	1,369
Local retirement - Esser - ARP	-	7,445	7,445	-	-	7,445	-
Local retirement - TN All Corps	-	1,980	1,313	-	-	1,313	667
Employer medicare	47,064	45,680	43,743	-	-	43,743	1,937
Employer medicare - Esser - ARP	-	2,097	2,097	-	-	2,097	-
Employer medicare - TN All Corps	-	1,050	536	-	-	536	514
On-behalf payments	-	50,000	61,830	-	-	61,830	(11,830)
Maintenance and repair services - equipment	1,000	1,000	-	-	-	-	1,000
Other contracted services	4,000	4,000	3,941	-	-	3,941	59
Other contracted services - TN All Corps	-	2,000	956	-	-	956	1,044
Instructional supplies	36,900	66,959	57,804	-	-	57,804	9,155
Instructional supplies - ESL	506	580	580	-	-	580	-
Instructional supplies - TN All Corps	-	7,000	2,922	-	-	2,922	4,078
Textbooks	30,000	48,904	48,904	-	-	48,904	-
Software	175,750	175,750	172,304	-	-	172,304	3,446
Other supplies and materials	9,000	9,000	6,920	-	-	6,920	2,080
Other charges	3,000	8,000	3,890	-	-	3,890	4,110
Regular instruction equipment	94,165	124,799	43,930	-	-	43,930	80,869
Total regular instruction program	4,578,314	5,008,821	4,802,990	-	-	4,802,990	205,831
Alternative instruction							
Contracts with other school systems	26,000	26,000	26,000	-	-	26,000	-
Total alternative instruction	26,000	26,000	26,000	-	-	26,000	-
Special education							
Teachers	368,980	409,352	373,961	-	-	373,961	35,391
Educational assistants	132,668	130,682	130,682	-	-	130,682	-
Speech pathology	58,900	58,900	58,900	-	-	58,900	-
Certified substitute teachers	2,000	248	248	-	-	248	-
Non-certified substitute teachers	2,000	2,560	2,560	-	-	2,560	-
Social security	34,748	33,893	33,244	-	-	33,244	649
State retirement	29,138	32,259	31,040	-	-	31,040	1,219
Medical insurance	36,437	64,161	62,671	-	-	62,671	1,490
Dental insurance	828	839	839	-	-	839	-
Unemployment compensation	670	622	593	-	-	593	29
Local retirement	7,923	7,841	7,841	-	-	7,841	-
Employer medicare	8,127	7,925	7,773	-	-	7,773	152
Instructional supplies	1,250	3,097	1,192	-	-	1,192	1,905
Other supplies and materials	639	259	259	-	-	259	-
Total special education	684,308	752,638	711,803	-	-	711,803	40,835

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

LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Less: Encumbrances 7/1/2023</u>	<u>Add: Encumbrances 6/30/2024</u>	<u>Actual Revenues/ Expenditures (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>					
Expenditures(continued)							
Student body education							
Other salaries and wages	99,200	104,600	104,600	-	-	104,600	-
Social security	6,150	6,328	6,328	-	-	6,328	-
State retirement	8,928	9,414	8,288	-	-	8,288	1,126
Medical insurance	17,456	14,386	14,386	-	-	14,386	-
Dental insurance	276	191	138	-	-	138	53
Unemployment compensation	100	100	84	-	-	84	16
Employer medicare	1,438	1,480	1,480	-	-	1,480	-
Travel	500	50	-	-	-	-	50
Other contracted services	12,000	10,500	10,500	-	-	10,500	-
Other charges	6,000	5,000	5,000	-	-	5,000	-
Total student body education	152,048	152,049	150,804	-	-	150,804	1,245
Total instruction	5,440,670	5,939,508	5,691,597	-	-	5,691,597	247,911
Support services							
Attendance							
Postal charges	300	15	-	-	-	-	15
Other contracted services	3,500	5,173	5,173	-	-	5,173	-
Other supplies and materials	500	15	-	-	-	-	15
Inservice/staff development	2,000	2,244	2,244	-	-	2,244	-
Other charges	500	3	-	-	-	-	3
Total attendance	6,800	7,450	7,417	-	-	7,417	33
Health instruction program							
Supervisor/directors	67,229	67,230	67,230	-	-	67,230	-
Medical personnel	93,696	96,816	95,962	-	-	95,962	854
Other salaries	4,533	4,940	4,940	-	-	4,940	-
Social security	9,977	9,732	9,544	-	-	9,544	188
State retirement	4,578	4,578	4,578	-	-	4,578	-
Medical insurance	19,320	15,320	15,276	-	-	15,276	44
Dental insurance	414	414	270	-	-	270	144
Unemployment insurance	200	230	230	-	-	230	-
Local retirement	2,396	2,583	2,441	-	-	2,441	142
Employer medicare	2,332	2,377	2,232	-	-	2,232	145
Postal charges	100	100	62	-	-	62	38
Other supplies and materials	2,961	2,961	2,817	-	-	2,817	144
Inservice/staff development	1,500	1,500	819	-	-	819	681
Total health instruction program	209,236	208,781	206,401	-	-	206,401	2,380
Other student support							
Guidance personnel	58,200	58,200	58,200	-	-	58,200	-
Social workers	47,600	50,000	50,000	-	-	50,000	-
Assessment personnel	42,000	46,963	46,963	-	-	46,963	-
Social security	9,163	7,163	6,685	-	-	6,685	478
State retirement	7,205	8,463	7,874	-	-	7,874	589
Medical insurance	8,672	21,672	21,596	-	-	21,596	76
Dental insurance	276	276	184	-	-	184	92
Unemployment compensation	200	200	165	-	-	165	35
Employer medicare	2,143	2,244	2,244	-	-	2,244	-
Contracts with government agencies	-	7,000	6,400	-	-	6,400	600
Evaluation and testing	2,000	1,626	110	-	-	110	1,516
Other charges	300	300	250	-	-	250	50
Other contracted services	4,000	13,212	13,212	-	-	13,212	-
Other supplies and materials	-	691	691	-	-	691	-
Other equipment	1,000	2,146	1,730	-	-	1,730	416
Total other student support	182,759	220,156	216,304	-	-	216,304	3,852

LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Support services(continued)							
Regular instruction program							
Supervisor/Director	82,536	97,336	97,336	-	-	97,336	-
Career ladder program	4,000	4,000	4,000	-	-	4,000	-
Librarians	113,780	119,510	119,510	-	-	119,510	-
Other salaries	253,946	271,165	266,731	-	-	266,731	4,434
Social security	28,164	28,812	27,653	-	-	27,653	1,159
State retirement	30,934	33,488	33,186	-	-	33,186	302
Medical insurance	60,546	72,316	70,961	-	-	70,961	1,355
Dental insurance	689	929	918	-	-	918	11
Unemployment compensation	279	285	278	-	-	278	7
Employer medicare	6,586	6,738	6,468	-	-	6,468	270
Consultants	2,500	2,500	500	-	-	500	2,000
Dues and memberships	1,000	1,000	257	-	-	257	743
Travel	500	500	-	-	-	-	500
Other contracted services	35,000	176,934	172,970	-	-	172,970	3,964
Library books and media	9,000	9,000	9,000	-	-	9,000	-
Other supplies and materials	11,000	11,000	9,342	-	-	9,342	1,658
Inservice/staff development	17,144	23,018	22,970	-	-	22,970	48
Other equipment	-	17,534	-	-	-	-	17,534
Total regular instruction program	657,614	876,065	842,080	-	-	842,080	33,985
Special Education							
Supervisor/directors	31,405	27,405	27,405	-	-	27,405	-
Social security	1,647	1,638	1,638	-	-	1,638	-
State retirement	2,138	1,866	1,866	-	-	1,866	-
Medical insurance	3,500	2,451	2,451	-	-	2,451	-
Dental insurance	138	47	47	-	-	47	-
Unemployment compensation	50	14	14	-	-	14	-
Employer medicare	455	383	383	-	-	383	-
Other contracted services	10,000	46,380	16,779	-	-	16,779	29,601
Inservice/staff development	2,000	4,950	4,760	-	-	4,760	190
Total special education	51,333	85,134	55,343	-	-	55,343	29,791
Technology							
Supervisor/directors	63,021	63,336	63,336	-	-	63,336	-
Data processing personnel	90,155	92,960	92,960	-	-	92,960	-
Social security	9,496	9,496	8,965	-	-	8,965	531
Medical insurance	19,011	20,167	20,167	-	-	20,167	-
Dental insurance	276	276	276	-	-	276	-
Unemployment compensation	100	126	126	-	-	126	-
Local retirement	9,190	9,303	9,303	-	-	9,303	-
Employer medicare	2,221	2,221	2,097	-	-	2,097	124
Dues and memberships	200	200	-	-	-	-	200
Repair and maintenance - equipment	7,000	7,000	-	-	-	-	7,000
Internet connectivity	27,672	27,672	27,672	-	-	27,672	-
Travel	1,000	1,000	236	-	-	236	764
Other contracted services	52,328	33,475	28,357	-	-	28,357	5,118
Software	-	24,268	24,268	-	-	24,268	-
Other supplies and materials	17,000	17,000	12,441	-	-	12,441	4,559
Inservice/staff development	3,000	4,135	4,135	-	-	4,135	-
Other charges	1,000	104,000	99,640	-	-	99,640	4,360
Other charges	-	50,000	43,805	-	-	43,805	6,195
Total technology	302,670	466,635	437,784	-	-	437,784	28,851
Total support services	1,410,412	1,864,221	1,765,329	-	-	1,765,329	98,892
General administration							
Board of education							
Board and committee members	29,400	29,400	29,400	-	-	29,400	-
Social security	1,823	1,823	1,571	-	-	1,571	252
Medical insurance	37,897	36,254	34,539	-	-	34,539	1,715
Dental insurance	414	552	552	-	-	552	-
Unemployment compensation	-	176	176	-	-	176	-
Employer medicare	426	426	367	-	-	367	59
Audit services	25,750	25,750	25,750	-	-	25,750	-
Dues and subscriptions	9,345	9,345	7,623	-	-	7,623	1,722
Legal services	6,000	6,700	6,700	-	-	6,700	-
Printing, stationery, etc...	1,000	1,782	1,782	-	-	1,782	-
Travel	1,000	1,000	-	-	-	-	1,000
Other contracted services	5,000	25,000	24,566	-	-	24,566	434
Other supplies and materials	100	100	-	-	-	-	100
Liability insurance	15,700	18,217	18,217	-	-	18,217	-
Surety bonds	650	781	781	-	-	781	-
Trustee's commission	18,000	18,000	14,817	-	-	14,817	3,183
Workmans compensation	24,000	21,600	21,551	-	-	21,551	49
Inservice/staff development	3,000	3,000	574	-	-	574	2,426
Refunds to applicants	500	706	706	-	-	706	-
Other charges	8,000	17,393	17,393	-	-	17,393	-
Total board of education	188,005	218,005	207,065	-	-	207,065	10,940

**LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Office of education							
County officials	105,000	105,000	105,000	-	-	105,000	-
Career ladder program	1,000	1,000	1,000	-	-	1,000	-
Social security	6,510	6,510	6,174	-	-	6,174	336
State retirement	9,040	9,040	7,219	-	-	7,219	1,821
Medical insurance	11,994	12,938	12,938	-	-	12,938	-
Dental insurance	138	138	138	-	-	138	-
Unemployment compensation	60	60	42	-	-	42	18
Employer medicare	1,522	1,522	1,444	-	-	1,444	78
Communication	16,000	4,000	3,950	-	-	3,950	50
Dues and memberships	1,750	150	100	-	-	100	50
Postage	1,500	1,500	1,343	-	-	1,343	157
Travel	2,000	200	-	-	-	-	200
Other contracted services	1,000	1,000	-	-	-	-	1,000
Office supplies	3,000	2,798	1,372	-	-	1,372	1,426
Inservice/staff development	2,000	2,000	1,735	-	-	1,735	265
Other charges	2,500	5,158	5,158	-	-	5,158	-
Administrative equipment	1,000	1,000	177	-	-	177	823
Total office of education	166,014	154,014	147,790	-	-	147,790	6,224
Office of principal							
Principals	162,456	162,456	162,456	-	-	162,456	-
Accountants and bookkeepers	60,680	60,680	60,458	-	-	60,458	222
Assistant principal	139,337	146,142	146,142	-	-	146,142	-
Clerical personnel	63,894	63,894	63,393	-	-	63,393	501
Social security	26,434	24,634	24,605	-	-	24,605	29
State retirement	20,552	22,755	21,909	-	-	21,909	846
Medical insurance	67,221	70,568	70,568	-	-	70,568	-
Dental insurance	1,104	1,104	1,057	-	-	1,057	47
Unemployment compensation	500	500	336	-	-	336	164
Local retirement	7,475	6,775	6,682	-	-	6,682	93
Employer medicare	6,182	6,123	5,755	-	-	5,755	368
Dues and memberships	2,000	1,500	1,500	-	-	1,500	-
Postage	1,500	1,500	1,500	-	-	1,500	-
Travel	500	500	-	-	-	-	500
Other contracted services	1,200	2,504	2,504	-	-	2,504	-
Office supplies	1,500	1,500	1,500	-	-	1,500	-
Inservice/staff development	1,500	800	767	-	-	767	33
Other charges	1,325	22,425	22,396	-	-	22,396	29
Administrative equipment	1,000	13,000	12,960	-	-	12,960	40
Total office of principal	566,360	609,360	606,488	-	-	606,488	2,872
Fiscal services							
Accountants and bookkeepers	113,895	113,970	113,970	-	-	113,970	-
Purchasing personnel	56,643	56,643	56,643	-	-	56,643	-
Clerical personnel	37,734	37,734	37,734	-	-	37,734	-
Other salaries and wages	1,000	1,000	-	-	-	-	1,000
Social security	12,974	12,485	11,786	-	-	11,786	699
Medical insurance	37,682	39,911	39,911	-	-	39,911	-
Dental insurance	552	552	552	-	-	552	-
Unemployment compensation	300	300	168	-	-	168	132
Local retirement	8,484	8,484	8,484	-	-	8,484	-
Employer medicare	3,034	3,034	2,756	-	-	2,756	278
Dues and memberships	300	300	192	-	-	192	108
Other contracted services	12,550	13,114	13,114	-	-	13,114	-
Data processing supplies	1,000	1,000	780	-	-	780	220
Office supplies	2,300	1,300	972	-	-	972	328
Inservice/staff development	3,000	1,000	180	-	-	180	820
Administrative equipment	-	600	531	-	-	531	69
Total fiscal services	291,428	291,427	287,773	-	-	287,773	3,654

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

**LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
General administration(continued)							
Plant operations							
Janitorial services	336,920	337,218	337,218	-	-	337,218	-
Disposal fees	4,000	8,597	8,597	-	-	8,597	-
Permits	500	585	585	-	-	585	-
Other contracted services	25,000	21,600	21,582	-	-	21,582	18
Electricity	370,000	363,000	362,695	-	-	362,695	305
Natural gas	40,000	34,665	34,186	-	-	34,186	479
Water	30,000	38,915	38,915	-	-	38,915	-
Other supplies and materials	100	100	-	-	-	-	100
Boiler insurance	1,864	1,978	1,978	-	-	1,978	-
Building and contents insurance	38,100	49,600	48,424	-	-	48,424	1,176
Vehicle and equipment	9,600	11,325	11,325	-	-	11,325	-
Total plant operations	866,084	867,583	865,505	-	-	865,505	2,078
Plant maintenance							
Part time personnel	6,000	2,449	-	-	-	-	2,449
Social security	434	434	-	-	-	-	434
Unemployment compensation	25	25	-	-	-	-	25
Employer medicare	102	102	-	-	-	-	102
Contracts with government agencies	90,000	85,000	85,000	-	-	85,000	-
Maintenance and repair - buildings	22,000	198,113	174,855	(101,555)	51,289	124,589	73,524
Maintenance and repair - buildings - ESSER 3.0 - ARP	-	36,353	36,353	-	-	36,353	-
Maintenance and repair - equipment	5,000	5,000	85	-	-	85	4,915
Maintenance and repair - vehicle	500	500	101	-	-	101	399
Architects - Esser - ARP	-	-	-	-	-	-	-
Other contracted services	77,000	86,487	86,487	-	-	86,487	-
Gasoline	3,000	3,000	2,214	-	-	2,214	786
Vehicle parts	1,000	1,000	789	-	-	789	211
Other supplies and materials	30,000	52,050	52,050	(2,565)	-	49,485	2,565
Inservice/staff development	800	800	-	-	-	-	800
Other charges	500	500	-	-	-	-	500
Administrative equipment	-	35,202	35,202	-	-	35,202	-
Total plant maintenance	236,361	507,015	473,136	(104,120)	51,289	420,305	86,710
Total general administration	2,304,252	2,647,404	2,587,757	(104,120)	51,289	2,534,926	112,478
Early childhood education							
Teachers	118,212	112,984	112,984	-	-	112,984	-
Educational assistants	55,734	54,955	54,955	-	-	54,955	-
Non-certified substitute teachers	-	920	920	-	-	920	-
Social security	10,785	10,135	10,135	-	-	10,135	-
State retirement	8,050	7,694	7,694	-	-	7,694	-
Medical insurance	4,693	17,460	17,460	-	-	17,460	-
Dental insurance	276	356	356	-	-	356	-
Unemployment compensation	200	174	174	-	-	174	-
Local retirement	3,344	3,297	3,297	-	-	3,297	-
Employer medicare	2,522	2,370	2,370	-	-	2,370	-
Instructional supplies	500	1,065	1,065	-	-	1,065	-
Other supplies and materials	500	415	415	-	-	415	-
Inservice/staff development	500	-	-	-	-	-	-
Other charges	500	1,823	1,823	-	-	1,823	-
Regular instruction equipment	-	-	-	-	-	-	-
Total early childhood education	205,816	213,648	213,648	-	-	213,648	-

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

**LEXINGTON CITY SCHOOL SYSTEM
GENERAL PURPOSE SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis) (continued)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Expenditures(continued)							
Debt service							
Principal payments	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-	-
Capital outlay							
Technology equipment	8,000	801,720	797,229	-	-	797,229	4,491
Technology equipment - ESSER 3.0 funds	-	48,464	48,464	-	-	48,464	-
Building improvements	-	-	80,927	-	-	80,927	(80,927)
Total capital outlay	8,000	850,184	926,620	-	-	926,620	(76,436)
Total Expenditures	9,369,150	11,514,965	11,184,951	(104,120)	51,289	11,132,120	382,845
Excess (deficiency) of revenues over (under) expenditures	(1,063,000)	(1,382,763)	(1,185,935)	104,120	(51,289)	(1,133,104)	249,659
Other financing sources and (uses)							
Transfers in	1,063,000	1,063,000	1,063,000	-	-	1,063,000	-
Transfers out	-	-	(150,000)	-	-	(150,000)	(150,000)
Insurance proceeds	-	54,763	54,763	-	-	54,763	-
Total other financing sources and (uses)	1,063,000	1,117,763	967,763	-	-	1,063,000	(150,000)
Net change in fund balance	-	(265,000)	(218,172)	104,120	(51,289)	(165,341)	99,659
Fund balance - beginning of year	2,846,387	2,846,387	2,846,387	-	-	2,846,387	-
Fund balance - end of year	\$ 2,846,387	\$ 2,581,387	\$ 2,628,215	\$ 104,120	\$ (51,289)	\$ 2,681,046	\$ 99,659

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

**LEXINGTON CITY SCHOOL SYSTEM
SPECIAL REVENUE FUND
SCHOOL FOOD AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Payment for lunches							
Student	\$ 75,000	\$ 67,363	\$ 67,363	\$ -	\$ -	\$ 67,363	\$ -
Adult	10,000	10,715	10,715	-	-	10,715	-
Payment for breakfast							
Student	30,000	33,524	33,524	-	-	33,524	-
Federal Fund							
USDA - lunch programs	270,000	259,571	259,571	-	-	259,571	-
USDA - breakfast programs	135,000	129,213	129,213	-	-	129,213	-
USDA - commodities	41,344	40,850	40,850	-	-	40,850	-
USDA - equipment grant	-	23,245	23,245	-	-	23,245	-
USDA - other	15,000	77,925	77,925	-	-	77,925	-
State funds							
State matching funds	4,500	4,020	4,020	-	-	4,020	-
A La Carte sales	30,000	29,393	29,393	-	-	29,393	-
Revenues from individual schools	2,000	2,933	2,933	-	-	2,933	-
Interest income	600	773	824	-	-	824	51
Other revenues	-	2,628	2,628	-	-	2,628	-
Total Revenues	613,444	682,153	682,204	-	-	682,204	51
Expenditures							
Food supplies	169,280	298,767	298,767	-	-	298,767	-
Personnel expenditures							
Supervisor/director	47,320	47,500	47,500	-	-	47,500	-
Accountants and bookkeepers	38,013	38,013	35,735	-	-	35,735	2,278
Cafeteria personnel	261,313	276,207	262,476	-	-	262,476	13,731
Bonus payments	-	11,000	11,000	-	-	11,000	-
Other salaries and wages	4,000	4,000	-	-	-	-	4,000
Inservice training	1,650	1,650	-	-	-	-	1,650
Social security	21,492	23,454	20,515	-	-	20,515	2,939
Medical insurance	70,500	78,845	69,045	-	-	69,045	9,800
Dental insurance	1,100	1,312	1,195	-	-	1,195	117
Unemployment compensation	650	655	523	-	-	523	132
Retirement	18,000	20,343	18,876	-	-	18,876	1,467
Employer medicare	5,026	5,492	4,813	-	-	4,813	679
Dues and memberships	250	250	-	-	-	-	250
Operations and maintenance							
Maintenance and repair	5,000	5,000	1,930	-	-	1,930	3,070
Nonfood supplies							
Food preparation supplies	10,000	25,039	22,039	-	-	22,039	3,000
Office supplies	1,000	1,000	538	-	-	538	462
Printing, stationery and forms	400	400	196	-	-	196	204
Uniforms	800	865	763	-	-	763	102
Other supplies and materials	4,000	4,554	4,361	-	-	4,361	193
Other							
Postal charges	100	100	-	-	-	-	100
Other contracted services	10,000	10,598	7,534	-	-	7,534	3,064
Other transportation	3,000	3,275	3,275	-	-	3,275	-
Travel	50	50	-	-	-	-	50
Inservice/staff development	5,000	9,482	9,482	-	-	9,482	-
Other charges	500	500	160	-	-	160	340
Food service small equipment	2,000	30,802	30,802	-	-	30,802	-
Total Expenditures	680,444	899,153	851,525	-	-	851,525	47,628
Excess (deficiency) of revenues over (under) expenditures	(67,000)	(217,000)	(169,321)	-	-	(169,321)	47,679
Other financing sources and (uses)							
Transfers in	-	150,000	150,000	-	-	150,000	-
Total other financing sources and (uses)	-	150,000	150,000	-	-	150,000	-
Net change in fund balance	(67,000)	(67,000)	(19,321)	-	-	(19,321)	47,679
Fund balance - beginning of year, as previously reported	137,272	137,272	137,272	-	-	137,272	-
Change in reserve for inventory	-	-	3,587	-	-	3,587	3,587
Fund balance - beginning of year, as restated	137,272	137,272	140,859	-	-	140,859	3,587
Fund balance - end of year	\$ 70,272	\$ 70,272	\$ 121,538	\$ -	\$ -	\$ 121,538	\$ 51,266

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

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lexington City School System (the System) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the fiduciary fund financial statements, the student activity funds are required to adopt and follow a uniform accounting manual as described in Section 49-2-110, *Tennessee Code Annotated*. This section excludes parent-teacher and parent-student support organizations from the accounting, recordkeeping, and other requirements of this section. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Reporting Entity

The Board of Education, a seven (7) member group, is the level of government which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the System. The System is a department of the City of Lexington, which is defined as the oversight entity by the *Governmental Auditing Standards Board (GASB) Statement 14, Defining the Reporting Entity*. In determining the reporting entity, the following criteria were used: oversight responsibility, accountability for fiscal matters, scope of public services, legal separateness and special financing relationships.

As such, the financial statements of the System are included in the financial statements of the City of Lexington, Tennessee. Also, the financial statements of the Student Activity Funds are included in the financial statements of the System. Financial activities of the System are recorded in the individual funds described below in the basis of presentation, each of which is deemed to be a separate accounting entity. The System has not identified any organization it considers to be a component unit.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The System has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; (2) operating grants and contributions; and (3) capital grants and contributions.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School System uses a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Management policies define available as collectible within 60 days after the fiscal year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable.

The System does not allocate indirect costs.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The System has no proprietary funds. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the System or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

- General School Purpose Fund – This is the General Fund, and accounts for funds to operate and maintain all public schools in the City of Lexington.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

- Food Authority Fund – This fund is used to account for the operations of the cafeteria. Revenue is provided primarily from governmental agencies, which is to be spent specifically for the cafeteria.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on long-term debt for the schools.

Fiduciary Funds (not included in the government-wide statements)

Agency Fund – Agency Funds are used to account for assets held by the entity in a trustee capacity or as an agent for individuals, other governmental units, and other funds.

- Internal School Funds – This fund is used to account for the transactions related to resources held in a fiduciary capacity as an agent for the general school population, or in some cases, for a specific segment of the school population.

The General School Purpose Fund and the Food Authority Fund are reported as major funds.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The System has defined cash and cash equivalents to include cash on hand and demand deposits. The System considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

2. Receivables

Receivables consist primarily of grant funds receivable from the Federal Government and the State of Tennessee and local taxes receivable from Henderson County.

3. Inventory

Inventories are stated at lower of cost (first-in, first-out) or market (net realizable value). Inventory items are recognized as expenditures when used (consumption method). Fund balances have been reserved for the amount of inventories on hand at year end.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the System as follows:

Real property – Land	
a. Land – non depreciable	\$1
b. Land Improvements	\$5,000
Real property – Buildings	\$10,000
Motor Vehicles	
a. Cars/Light Trucks/Jeeps	\$10,000
b. Trucks/Heavy	\$25,000
c. Buses	\$10,000
d. Vans	\$10,000
Equipment	\$30,000
Personal Property	\$5,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Buildings	10-50
Equipment	5-17
Vehicles	5-7
Plant	15-50

5. Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of bonds payable and capital lease payables.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and the payment of principle and interest reported as expenditures.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

6. Deferred Outflows/Inflows 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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

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.

7. Compensated Absences

The System's policy is to pay \$10 for every unused day of sick leave accumulated at retirement. The System's financial statements do not include a liability for compensated absences as the amount is not material.

E. Net Position Flow Assumption

Sometimes the system will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which resources are considered applied. It is the system's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

F. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The system itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Aldermen is the government's highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board has by resolution authorized the finance director to assign fund balance. The governing board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Nonspendable fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The System has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

G. 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 Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

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 Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the System is subject to various federal, state, and local laws and contractual regulations. An analysis of the System's compliance with significant laws and regulations and demonstration of its stewardship over System resources follows.

A. Budget Requirements

The System's General Fund is required by state law to prepare an annual budget. The budget is subject to approval by the Lexington City Council and the System cannot exceed the total budgeted expenditures.

The System uses a budgetary basis of accounting. It is consistent with GAAP, except that instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

B. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the System must have a written collateral agreement approved by the board of directors or loan committee.

The System's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit, and savings accounts. Collateral is required for demand deposits, certificates of deposits, and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. The System has no policy that further limits allowable investments.

C. Revenue Restrictions

The System has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source
Grants

Legal Restrictions of Use
Grant program expenditures

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

D. Fund Equity Restrictions

Deficit Prohibition

Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The System had no deficit fund balances at June 30, 2024.

NOTE 3: DETAILED NOTES – ALL FUNDS AND ACCOUNT GROUPS

A. Cash and cash equivalents

The System's policies regarding deposits of cash are discussed in Note 2.B. The System maintains checking accounts with local banks. These balances were entirely insured by the FDIC or through the Bank Collateral Pool with the State of Tennessee.

B. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance 7/1/23	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/24
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in Progress	-	-	-	-
Total Capital assets not being depreciated	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets being depreciated				
Buildings	20,368,203	-	-	20,368,203
Building Improvements	3,563,873	80,927	-	3,644,800
Improvements	164,512	-	-	164,512
Furniture, Fixtures and equipment	2,377,054	845,693	-	3,222,747
Total Capital assets being depreciated	<u>26,473,642</u>	<u>926,620</u>	<u>-</u>	<u>27,400,262</u>
Less accumulated depreciation for:				
Buildings	11,172,233	284,211	-	11,456,444
Building Improvements	2,666,459	126,399	-	2,792,858
Improvements	76,161	8,226	-	84,387
Furniture, Fixtures and equipment	1,434,381	114,449	-	1,548,830
Total accumulated depreciation	<u>15,349,234</u>	<u>533,285</u>	<u>-</u>	<u>15,882,519</u>
Total capital assets, being depreciated, net	<u>11,124,408</u>			<u>11,517,743</u>
Governmental activities capital assets, net	<u>\$ 11,224,408</u>			<u>\$ 11,617,743</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Function	
Health, recreation and welfare	\$533,285

C. Accounts Payable

Payables in the general-purpose school fund are composed of payables to vendors.

D. Prepaid Meals

The amount for prepaid meals on the School Food Authority Fund reflects the money that students and staff have credited toward meals in the following school year. The overpayment amount may be refunded to persons or applied to that person's meal account in the following year. In the event that a student graduates, the overpayment may be refunded or applied to another family member's meal account.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
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E. Long-term Debt

a. Description of governmental long-term debt

General Obligation Bonds - The System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith, credit, and taxing authority of the government. General obligation bonds were issued for original terms of up to 18 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2023, will be retired from Debt Service Fund.

Direct Borrowing and Direct Placements – The System issues other loans to provide funds for the acquisition and construction of major capital facilities. Loans are direct obligations and pledge the full faith, credit, and taxing authority of the government. The loans outstanding were issued for original terms of up to 10 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All loans included in long-term debt as of June 30, 2024, will be retired from the Debt Service Fund.

General obligation bonds and other loans, outstanding as of June 30, 2024, for governmental activities are as follows:

General Obligation Bonds

2012 General Obligation Public Improvement Bonds, dated October 18, 2012, due April 1, 2013 through April 1, 2028, interest 1.00% to 2.00%	\$	52,165
2019 Refunding Bonds, due September 1, 2019 through March 1, 2034, bearing variable interest rate of 2-3%.		150,000
2020 School Refunding Bonds, due May 1, 2021 through May 1, 2031, bearing variable interest rate of 1-2%.		2,940,000
Other Liabilities		
Unamortized debt premiums		50,644
		3,192,809
Total Governmental Activities Long-term Debt	\$	3,192,809

b. Changes in Outstanding Debt

	Balance 7/1/2023	Additions	Reductions	Balance 6/30/2024	Due within one year
Governmental Activities					
General Obligation Bonds	\$ 3,570,206	\$ -	\$ 428,041	\$ 3,142,165	\$ 433,616
Total governmental activities	\$ 3,570,206	\$ -	\$ 428,041	\$ 3,142,165	\$ 433,616

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

c. Summary of Principal and Interest Requirements – All Debt

Fiscal Fiscal Year	GOVERNMENTAL ACTIVITIES			
	General Obligation Bonds		Direct Borrowing and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 433,616	\$ 43,518	\$ -	\$ -
2026	439,192	38,746	-	-
2027	444,767	33,912	-	-
2028	444,590	27,979	-	-
2029	440,000	22,087	-	-
2030-2034	925,000	29,075	-	-
2035	15,000	450	-	-
	<u>\$ 3,142,165</u>	<u>\$ 195,767</u>	<u>\$ -</u>	<u>\$ -</u>

F. Inter-fund transactions

Operating Transfers

	TRANSFER TO:		
	General Purpose School Fund	School Food Authority Fund	Debt Service Fund
TRANSFER FROM:			
City of Lexington's General Fund	\$ -	\$ 150,000	\$ -
School Tax Fund	1,063,000	-	476,270
GRAND TOTALS	<u>\$ 1,063,000</u>	<u>\$ 150,000</u>	<u>\$ 476,270</u>

The transfers from the City of Lexington's School Tax Fund and to the School Food Authority Fund were for operating expenses and the transfer of \$476,270 to the School Debt Service Fund was for long-term debt payments.

G. On-Behalf Payments

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Lexington City School System. These payments are made by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the state to the Local Government Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2024 were \$54,707 and \$7,123, respectively. The System has recognized these on-behalf payments as revenues and expenditures in the General School Purpose Fund.

NOTE 4: OTHER NOTES

A. General Information about the Pension Plan

Plan description. The Tennessee Consolidated Retirement System (TCRS) was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**LEXINGTON CITY SCHOOL SYSTEM
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Teachers employed by Lexington City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees.

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan.

1. Teacher Legacy Pension Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lexington City Schools for the year ended June 30, 2024 to the Teacher Legacy Pension Plan were \$229,961 which is 6.81 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2024, the Lexington City Schools reported a liability (asset) of (\$1,170,060) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Lexington City Schools' proportion of the net pension liability was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2023 Lexington City Schools' proportion was 0.099244 percent. The proportion measured as of June 30, 2022 was 0.099663 percent.

Pension expense (negative pension expense). For the year ended June 30, 2024, Lexington City Schools recognized pension expense (negative pension expense) of \$291,108.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
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Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, Lexington City Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 278,768	\$ 54,299
Change in assumptions	381,238	-
Net difference between projected and actual earnings on pension plan investments	203,011	-
Changes in proportion of Net Pension Liability (Asset)	6,324	7,123
LEA's contribution subsequent to the measurement date of June 30, 2023	<u>229,961</u>	<u>(not applicable)</u>
Total	<u>\$ 1,099,302</u>	<u>\$ 61,422</u>

Lexington City Schools employer contributions of \$229,961, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2025	\$ 273,978
2026	(162,180)
2027	694,531
2028	1,590
2029	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, Including inflation
Cost-of Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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NOTES TO THE FINANCIAL STATEMENTS
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The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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 proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 2,548,473	\$ (1,170,060)	\$ (4,262,831)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2024, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

2. Teacher Retirement Plan

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

eligibility. The service related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2024 to the Teacher Retirement Plan were \$32,629, which is 2.95 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2024, Lexington City Schools reported a liability (asset) of (\$22,626) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Lexington City Schools' proportion of the net pension liability (asset) was based on Lexington City Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2023 Lexington City Schools' proportion was 0.053360 percent. The proportion measured as of June 30, 2022 was 0.050275 percent.

Pension expense (negative pension expense). For the year ended June 30, 2024, Lexington City Schools recognized pension expense (negative pension expense) of \$29,119.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, Lexington City Schools reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 762	\$ 13,207
Net difference between projected and actual earnings on pension plan investments	5,753	-
Change in assumptions	17,023	-
Changes in proportion of Net Pension Liability (Asset)	6,548	5,130
Lexington City Schools' contributions subsequent to the measurement date of June 30, 2023	<u>32,629</u>	<u>(not applicable)</u>
Total	<u>\$ 62,715</u>	<u>\$ 18,337</u>

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Lexington City Schools employer contributions of \$32,629 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction (increase) in net pension liability (asset) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2025	\$	378
2026		(459)
2027		8,415
2028		891
2029		926
Thereafter		1,599

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates 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 of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
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Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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 proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Lexington City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Lexington City Schools' proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Lexington City Schools' proportionate share of the net pension liability (asset)	\$ 104,080	\$ (22,626)	\$ (113,845)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2024, Lexington City Schools reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

TCRS Stabilization Trust

Legal Provisions. Lexington City Schools is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The System has placed funds into the irrevocable trust as authorized by statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the System.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The System may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2024, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

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- Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments using the Net Asset Value (“NAV”) per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgment and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

US Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be assessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2024, the System had the following investments held by the trust on its behalf. These funds are recognized as restricted assets in the General Purpose School Fund of the System.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U. S. Equity	N/A	N/A	\$ 29,526
Developed Market International Equity	N/A	N/A	13,334
Emerging Market International Equity	N/A	N/A	3,810
U. S. Fixed Income	N/A	N/A	19,049
Real Estate	N/A	N/A	9,524
Short-term Securities	N/A	N/A	952
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	<u>19,049</u>
Total			<u>\$ 95,244</u>

Investments by Fair Value Level	Fair Value 6/30/2024	Fair Value Measurements Using			Amortized Cost NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U. S. Equity	\$ 29,526	\$ 29,526	\$ -	\$ -	\$ -
Developed Market International Equity	13,334	13,334	-	-	-
Emerging Market International Equity	3,810	3,810	-	-	-
U. S. Fixed Income	19,049	-	19,049	-	-
Real Estate	9,524	-	-	9,524	-
Short-term Securities	952	-	952	-	-
Private Equity and Strategic Lending	<u>19,049</u>	-	-	-	<u>19,049</u>
Total	<u>\$ 95,244</u>	<u>\$ 46,670</u>	<u>\$ 20,001</u>	<u>\$ 9,524</u>	<u>\$ 19,049</u>

Risks and Uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The System places no limit on the amount the county may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the System to pay retirement benefits of the School Department employees.

For further information concerning the legal provisions, investment policies, investment types, and credit risks of the School Department's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

B. OTHER POSTEMPLOYMENT BENEFITS

1. Closed Teacher Group Other Post-Employment Benefits (OPEB) Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

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Benefits provided – The System offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The System does not subsidize for pre-65 retiree insurance coverage. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retiree premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At July 1, 2023, the following employees of the System were covered by the benefit terms of the TGOP:

Inactive employees receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>75</u>
	<u>75</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the System paid \$3,825 to the TGOP for OPEB benefits as they came due.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.3% for pre-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%. 12.4% for post-65 in 2024, decreasing annually over a 12 year period to an ultimate rate of 4.50%.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The pre-retirement mortality rates employed in this valuation are taken from the PUB-2010 Headcount-weighted Employee mortality table for Teacher Employees projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-weighted Teacher Below Median Healthy Annuitant and adjusted with a 19% load for males and an 18% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TGOP - (expressed in thousands)

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 1,294
Changes for the year:	
Service costs	74
Interest	48
Changes of benefit terms	-
Differences between expected and actual experience	(80)
Changes in assumptions	130
Benefit payments	(27)
Net changes	146
Total OPEB liability -ending balance	\$ 1,440
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 551
Employer's proportionate share of the collective total OPEB liability	\$ 889
Employer's proportion of the collective total OPEB liability	61.75%

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The proportion changed -.99% from the prior measurement date. The System recognized \$54,707 in revenue for subsidies provided by non-employer contributing entities for benefits paid by the TGOP for the System retirees.

Changes in assumptions – The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate. (expressed in thousands)

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Proportionate share of collective total OPEB liability	\$ 968	\$ 889	\$ 814

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate. (expressed in thousands).

	1% Decrease (9.31%/11.44% decreasing to 3.50%)	Healthcare Cost Trend Rates (10.31%/12.44% decreasing to 4.50%)	1% Increase (11.31%/13.44% decreasing to 5.50%)
Proportionate share of collective total OPEB liability	\$ 776	\$ 889	\$ 1,023

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2024, the System recognized OPEB expense of \$131,652.

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

TGOP - (expressed in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 29	\$ 117
Changes in assumptions	238	103
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due.	12	44
Employer payments subsequent to the measurement date	4	-
	\$ 282	\$ 264

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Amounts referred to as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

TGOP - (expressed in thousands)

For the year ended June 30:

2025	\$	1.4
2026		1.4
2027		1.4
2028		3.1
2029		4.8
Thereafter		2.3

The table above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

2. Closed Tennessee Plan

Plan description – Employees of the System who are hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Tennessee Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local education agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the State, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided – The State offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TNP does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the State, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same benefits at the same benefit rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The System does not subsidize for post-65 retiree insurance. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by the benefit terms – At June 30, 2023, the following employees of the System were covered by the benefit terms of the TNP:

Inactive employees receiving benefit payments	32
Inactive employees entitled to but not yet receiving benefit payments	6
Active employees	<u>59</u>
	<u>97</u>

In accordance with TCA 8-27-209, the State insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed polices. During the current reporting period, the System did not make any payments to the TNP for OPEB benefits as they came due.

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

Total OPEB Liability

Actuarial assumptions – The collective total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 – June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-weighted below median teachers PUB-2010 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load with mortality improvement projected to all future years using Scale MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

Changes in Collective Total OPEB Liability

TNP - (expressed in thousands)	Total OPEB Liability (a)
Total OPEB liability - Beginning balance	\$ 296
Changes for the year:	
Service costs	3
Interest	10
Changes of benefit terms	-
Differences between expected and actual experience	18
Changes in assumptions	(3)
Benefit payments	(18)
Net changes	11
Total OPEB liability - Ending balance	\$ 307
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 307
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	0.00%

**LEXINGTON CITY SCHOOL SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024**

The System has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TNP. The System's proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and non-employer contributing entities, actuarially determined. The System's proportion of 0% did not change from the prior measurement date. The System recognized \$7,123 in revenue for support provided by non-employer contributing entities for benefits paid by the TNP for the System's retired employees.

Changes in assumptions – The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the fiscal year ended June 30, 2024, the System recognized OPEB expense of \$7,123.

C. NON-PROFESSIONAL STAFF

The City began offering a 403(b) defined contribution plan to their eligible employees hired after April 1, 2012. The City of Lexington Retirement Asset Accumulation Plan became effective on April 1, 2012 and is administered by the City of Lexington. Employees are required to make a mandatory contribution of 6% of their annual compensation and the City matches their contribution with an equal amount. The employer's contributions are not vested until after five annual periods in the plan. The employer has the right to amend the Plan at any time. In no event, however, will any amendment authorize or permit any part of the Plan assets to be used for purposes other than the exclusive benefit of Participants or their beneficiaries. The System's current year contributions to the plan were \$51,664.

D. RISK MANAGEMENT

The System participates in the Tennessee Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Boards Association, an association of member school districts. The System pays an annual premium to the TSB-RMT for its general liability, property, casualty and worker's compensation insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

LEXINGTON CITY SCHOOL SYSTEM
SCHOOL'S CONTRIBUTIONS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET
TEACHER LEGACY PENSION PLAN of TCRS
Last Fiscal Year Ended June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Lexington City School's proportion of the net pension asset	0.104835%	0.102809%	0.00104496%	0.099332%	0.093599%	0.094885%	0.097489%	0.099143%	0.099663%	0.099244%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (17,035)	\$ 42,114	\$ 653,043	\$ (32,500)	\$ (329,365)	\$ (975,587)	\$ (743,422)	\$ (4,276,269)	\$ (1,222,277)	\$ (1,170,060)
Lexington City School's covered payroll	\$ 4,114,750	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623	\$ 3,244,671	\$ 3,254,034	\$ 3,279,856	\$ 3,220,513
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-0.414002%	1.094254%	17.31%	-0.93%	-10.05%	-30.66%	-22.91%	-131.41%	-37.27%	-36.33%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%	104.11%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

LEXINGTON CITY SCHOOLS
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN of TCRS
Last Fiscal Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution (ADC)	\$ 347,918	\$ 340,998	\$ 317,425	\$ 297,598	\$ 332,798	\$ 344,908	\$ 334,190	\$ 337,826	\$ 279,863	\$ 229,961
Contribution in relation to the actuarially determined contribution	347,918	340,998	317,425	297,598	332,798	344,908	334,190	337,826	279,863	229,961
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lexington City School's covered payroll	\$ 3,848,655	\$ 3,772,098	\$ 3,511,338	\$ 3,277,516	\$ 3,181,623	\$ 3,244,671	\$ 3,254,034	\$ 3,279,856	\$ 3,220,513	\$ 3,376,807
Contributions as a percentage of Lexington City School's covered payroll	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.27%	10.30%	8.69%	6.81%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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

LEXINGTON CITY SCHOOL SYSTEM
SCHOOL'S CONTRIBUTIONS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PLAN of TCRS
Last Fiscal Year Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Lexington City School's proportion of the net pension asset	0.103052%	0.070969%	0.007589%	0.053504%	0.052229%	0.047882%	0.044563%	0.050275%	0.053360%
Lexington City School's proportionate share of the net pension liability (asset)	\$ (4,146)	\$ (7,388)	\$ (20,024)	\$ (24,265)	\$ (29,483)	\$ (27,228)	\$ (48,271)	\$ (15,230)	\$ (22,626)
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538	\$ 1,061,347
Lexington City School's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.51%	-1.77%	-2.13%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%	104.97%

GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

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

LEXINGTON CITY SCHOOLS
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PLAN of TCRS
Last Fiscal Year Ended June 30

	2015	2016	2017	2018	2019*	2020**	2021***	2022****	2023*****	2024*****
Actuarially Determined Contribution (ADC)	\$ 5,353	\$ 7,817	\$ 19,924	\$ 7,625	\$ 10,772	\$ 12,266	\$ 12,991	\$ 17,257	\$ 30,461	\$ 32,629
Contribution in relation to the actuarially determined contribution	8,565	12,491	19,924	18,702	10,772	12,266	12,991	17,257	30,461	32,629
Contribution deficiency (excess)	<u>\$ (3,212)</u>	<u>\$ (4,674)</u>	<u>\$ -</u>	<u>\$ (11,077)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lexington City School's covered payroll	\$ 214,117	\$ 312,268	\$ 498,100	\$ 467,556	\$ 552,691	\$ 604,236	\$ 643,138	\$ 858,538	\$ 1,061,347	\$ 1,106,068
Contributions as a percentage of Lexington City School's covered payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%	2.01%	2.87%	2.95%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

*In FY 2019 the School System placed the actuarially determined contributed rate (1.94%) of covered payroll into the pension plan and placed 2.06% of covered payroll into the Pension Stabilization Reserve Trust.

**In FY 2020 the School System placed the actuarially determined contributed rate (2.03%) of covered payroll into the pension plan and placed 1.97% of covered payroll into the Pension Stabilization Reserve Trust.

***In FY 2021 the School System placed the actuarially determined contributed rate (2.02%) of covered payroll into the pension plan and placed 1.98% of covered payroll into the Pension Stabilization Reserve Trust.

****In FY 2022 the School System placed the actuarially determined contributed rate (2.01%) of covered payroll into the pension plan and placed 1.99% of covered payroll into the Pension Stabilization Reserve Trust.

*****In FY 2023 the School System placed the actuarially determined contributed rate (2.87%) of covered payroll into the pension plan and placed 1.13% of covered payroll into the Pension Stabilization Reserve Trust.

*****In FY 2024 the School System placed the actuarially determined contributed rate (2.95%) of covered payroll into the pension plan and placed 1.05% of covered payroll into the Pension Stabilization Reserve Trust.

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

LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE OTHER POST-EMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS
(dollar amounts in thousands)
JUNE 30, 2024

	<u>TGOP 2018</u>	<u>TNP 2018</u>	<u>TGOP 2019</u>	<u>TNP 2019</u>	<u>TGOP 2020</u>	<u>TNP 2020</u>	<u>TGOP 2021</u>	<u>TNP 2021</u>	<u>TGOP 2022</u>	<u>TNP 2022</u>	<u>TGOP 2023</u>	<u>TNP 2023</u>	<u>TGOP 2024</u>	<u>TNP 2024</u>
Total OPEB Liability														
Service cost	\$ 72	\$ 6	\$ 67	\$ 5	\$ 56	\$ 4	\$ 51	\$ 4	\$ 72	\$ 7	\$ 95	\$ 5	\$ 74	\$ 3
Interest	28	10	34	12	31	12	31	12	25	9	32	8	48	10
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(166)	(6)	30	22	55	8	(24)	(4)	(34)	(9)	(80)	18
Changes of assumptions	(48)	(28)	18	(3)	(64)	6	135	66	271	(54)	(156)	(54)	130	(3)
Benefit payments	(41)	(15)	(44)	(16)	(26)	(17)	(39)	(18)	(25)	(19)	(33)	(19)	(27)	(18)
Net change in total OPEB liability	<u>10</u>	<u>(26)</u>	<u>(91)</u>	<u>(8)</u>	<u>26</u>	<u>26</u>	<u>232</u>	<u>73</u>	<u>319</u>	<u>(61)</u>	<u>(98)</u>	<u>(68)</u>	<u>146</u>	<u>11</u>
Total OPEB Liability - beginning	<u>896</u>	<u>359</u>	<u>906</u>	<u>333</u>	<u>815</u>	<u>325</u>	<u>841</u>	<u>351</u>	<u>1,073</u>	<u>424</u>	<u>1,392</u>	<u>364</u>	<u>1,294</u>	<u>296</u>
Total OPEB Liability - ending	<u>\$ 906</u>	<u>\$ 333</u>	<u>\$ 815</u>	<u>\$ 325</u>	<u>\$ 841</u>	<u>\$ 351</u>	<u>\$ 1,073</u>	<u>\$ 424</u>	<u>\$ 1,392</u>	<u>\$ 364</u>	<u>\$ 1,294</u>	<u>\$ 296</u>	<u>\$ 1,440</u>	<u>\$ 307</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 319	\$ 333	\$ 285	\$ 325	\$ 300	\$ 351	\$ 361	\$ 424	\$ 488	\$ 364	\$ 482	\$ 296	\$ 551	\$ 307
Employer's proportionate share of the collective total OPEB liability	\$ 587	\$ -	\$ 530	\$ -	\$ 541	\$ -	\$ 713	\$ -	\$ 904	\$ -	\$ 812	\$ -	\$ 889	\$ -
Covered-employee payroll	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-	2,976	-
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	20%	n/a	18%	n/a	18%	n/a	24%	n/a	30%	n/a	27%	n/a	30%	n/a

Notes to Schedule

There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period: 2017 - 2.92%; 2018 - 3.56%; 2019 - 3.62%; 2020 - 3.51%; 2021 - 2.21%; 2022 - 2.16%.

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

LEXINGTON CITY SCHOOL SYSTEM
SPECIAL REVENUE FUND
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Budgetary Basis)
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual (GAAP Basis)	Less: Encumbrances 7/1/2023	Add: Encumbrances 6/30/2024	Actual Revenues/ Expenditures (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final					
Revenues							
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-	-	-
Expenditures							
Debt Service							
Principal	450,000	450,000	428,041	-	-	428,041	21,959
Interest	50,000	50,000	48,229	-	-	48,229	1,771
Total Expenditures	500,000	500,000	476,270	-	-	476,270	23,730
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(500,000)	(476,270)	-	-	(476,270)	23,730
Other financing sources and (uses)							
Transfers in	500,000	500,000	476,270	-	-	476,270	(23,730)
Total other financing sources and (uses)	500,000	500,000	476,270	-	-	476,270	(23,730)
Net change in fund balance	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

**LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF LONG-TERM DEBT REQUIREMENTS
JUNE 30, 2024**

Year Ending June 30,	Bond Series 2020		Refunding Bond Series 2019		2012 General Obligation Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	405,000	37,975	15,000	4,500	13,616	1,043	433,616	43,518
2026	410,000	33,925	15,000	4,050	14,192	771	439,192	38,746
2027	415,000	29,825	15,000	3,600	14,767	487	444,767	33,912
2028	420,000	24,637	15,000	3,150	9,590	192	444,590	27,979
2029	425,000	19,387	15,000	2,700	-	-	440,000	22,087
2030	430,000	14,075	15,000	2,250	-	-	445,000	16,325
2031	435,000	8,700	15,000	1,800	-	-	450,000	10,500
2032	-	-	15,000	1,350	-	-	15,000	1,350
2033	-	-	15,000	900	-	-	15,000	900
2034	-	-	15,000	450	-	-	15,000	450
	<u>\$ 2,940,000</u>	<u>\$ 168,524</u>	<u>\$ 150,000</u>	<u>\$ 24,750</u>	<u>\$ 52,165</u>	<u>\$ 2,493</u>	<u>\$ 3,142,165</u>	<u>\$ 195,767</u>

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

LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2024

Description of Indebtedness	Original Amount Of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
Governmental Activities									
BONDS PAYABLE									
Payable through City of Lexington General Purpose School Fund									
Public Works Refund Bonds, Series 2019 Gas Portion	\$ 205,000	2.00 to 3.00%	2/7/2019	3/1/2034	\$ 165,000	\$ -	\$ 15,000	\$ -	\$ 150,000
TOTAL BONDS PAYABLE - Payable through City of Lexington General Purpose School Fund					<u>165,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>150,000</u>
BONDS PAYABLE									
Payable through City of Lexington School Tax Fund									
2012 General Obligation Public Improvement Bonds	\$ 171,835	1.00 - 2.00%	10/18/2012	4/1/2028	65,206	-	13,041	-	52,165
2020 School Refunding Bonds	\$ 4,530,000	1.00 - 2.00%	5/1/2021	5/1/2031	3,340,000	-	400,000	-	2,940,000
TOTAL BONDS PAYABLE - Payable through City of Lexington School Tax Fund					<u>3,405,206</u>	<u>-</u>	<u>413,041</u>	<u>-</u>	<u>2,992,165</u>
TOTAL BONDS PAYABLE					<u>\$ 3,570,206</u>	<u>\$ -</u>	<u>\$ 428,041</u>	<u>\$ -</u>	<u>\$ 3,142,165</u>

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

LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/ Pass-Through Grantor	Assistance Listing Number	Contract Number	Expenditures
<u>FEDERAL AWARDS</u>			
US Dept. of Agriculture/TN Dept. of Agriculture			
Local Fund Grant	10.185	N/A	\$ 31,074
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	N/A	\$ 129,213
National School Lunch Program	10.555	N/A	259,571
After School Snack Program	10.555	N/A	20,742
Meals Reimbursement CNLOCF	10.555	N/A	<u>24,530</u>
Total Child Nutrition Cluster			<u>434,056</u>
Commodity Supplemental Food Program - noncash assistance	10.565	N/A	40,850
CNPEBT Pandemic EBT Admin Cost	10.649	N/A	653
Child Nutrition Equipment Grant	10.579	N/A	23,245
Distance Learning and Telehealth Grant	10.855	N/A	<u>677,259</u>
Total US Dept of Agriculture			<u>1,207,137</u>
US Dept. of Education/TN Dept of Education			
<i>Title I :</i>			
Title I, Part A - Grants to Local Educational Agencies	84.010A	N/A	<u>245,366</u>
<i>Special Education Cluster:</i>			
IDEA, Part B	84.027A	N/A	230,907
IDEA Preschool	84.173A	N/A	<u>6,102</u>
Total Special Education Cluster (IDEA)			<u>237,009</u>
English Language Acquisition Grants - Title III	84.365	N/A	<u>580</u>
Improving Teacher Quality State Grants - Title II, Part A	84.367A	N/A	<u>38,660</u>
Student Support Academic	84.374A	N/A	<u>17,867</u>
Title VI, Rural & Low Income	84.424A	N/A	26,452
<i>Esser:</i>			
Esser - Elem Second School Emergency Relief - HQIM - Math Implementation	84.425D	N/A	70,000
Esser - Elem Second School Emergency Relief - TN All Corps District ES	84.425D	N/A	47,760
Esser - Elem Second School Emergency Relief 3.0 - ARP	84.425U	N/A	303,462
Esser - Elem Second School Emergency Relief - Literacy Training - ARP	84.425U	N/A	<u>3,000</u>
Total Program 84.425			<u>424,222</u>
Total US Dept of Education			<u>990,156</u>
US Dept. of Health and Human Services			
Epidemiology and Laboratory Capacity - Covid Testing	93.323	N/A	<u>\$ -</u>
Total US Dept of Health and Human Services			<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,197,293</u>

LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE , continued
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/ Pass-Through Grantor	Assistance Listing Number	Contract Number	Expenditures
<u>STATE FINANCIAL ASSISTANCE</u>			
US Dept of Agriculture/TN Dept of Agriculture			
State Matching Funds	N/A	Note 2	\$ 4,020
Warehouse Rebate	N/A	Note 2	926
Total Dept of Agriculture			<u>4,946</u>
US Dept of Education/TN Dept of Education			
Tennessee Investment in Student Achievement (TISA)	N/A	Note 2	6,348,938
TISA - Salary Equity Program	N/A	Note 2	76,984
Career Ladder Supplement	N/A	Note 2	14,708
Early Childhood Education -Pilot/State	N/A	Note 2	205,816
State Fiscal Stabilization Funds (SFSF) - Government Services - Safe Schools	N/A	Note 2	41,080
Stream Mini Camps LEAs	N/A	Note 2	96,677
Total Dept of Agriculture			<u>6,784,203</u>
TOTAL STATE AWARDS			<u>6,789,149</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 8,986,442</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

Basis of Presentation:

Note 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Lexington City School System under programs of the federal and state governments for the year ended June 30, 2024. The schedule is presented using the modified accrual basis of accounting.

Note 2: Information not available.

Note 3: Lexington City School System elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.



**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 financial statements of the governmental activities and each major fund of Lexington City School System (the System), a department of the City of Lexington, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item SAF 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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*.

Lexington City School System's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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


December 11, 2024



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

Lexington City School System
Board of Education
Lexington, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lexington City School System's (the System), a department of the City of Lexington, Tennessee, 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 the System's major federal programs for the year ended June 30, 2024. The System'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, the System 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, 2024.

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 the System 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 the System'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 the System'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 the System'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 judgment made by a reasonable user of the report on compliance about the System'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 the System'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 the System'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 the System'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.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the System's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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.



December 11, 2024

**LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024**

Financial Statement Findings

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

Federal Award Findings and Questioned Costs

There were no prior findings reported.

**LEXINGTON CITY SCHOOL SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

SECTION I – Summary of Auditors’ Results

- (a) Type of report issued on the financial statements:
Unqualified
- (b) The audit of the financial statements disclosed a reportable condition in internal control, which was considered a material weakness.
- (c) The audit did not disclose noncompliance issues.
- (d) The audit did not disclose any reportable conditions in internal control over major programs.
- (e) Type of report issued on compliance for major programs: Unqualified.
- (f) The audit did not disclose any findings required to be reported under Uniform Guidance.
- (g) Major programs: School Nutrition Cluster (ALN 10.553 and 10.555); Title 1, Part A (ALN 84.010A); and Special Education Cluster (ALN 84.027A and 84.173A)
- (h) Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000
- (i) The auditee did not qualify as a low-risk auditee.

SECTION II – Financial Statement Findings

GENERAL PURPOSE SCHOOL FUND

NONE

SCHOOL FOOD AUTHORITY

NONE

DEBT SERVICE FUND

NONE

INTERNAL SCHOOL FUNDS

2024-001 INADEQUATE SEGREGATION OF DUTIES

Schools Still Deficient from the Prior Audit Finding 2023-001: 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 *Tennessee Internal School Uniform Accounting Policy 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 *TISUAPM* 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 *TISUAPM* 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 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.

GOVERNMENT-WIDE FINANCIALS

NONE

SECTION III – Federal Award Findings and Questioned Costs

NONE



Lexington City School System
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Lexington, TN 38351
731-967-5591 Phone
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**MANAGEMENT'S CORRECTIVE ACTION PLAN
JUNE 30, 2024**

INTERNAL SCHOOL FUNDS

SAF FINDING 2024 – 001 INADEQUATE SEGREGATION OF DUTIES

Corrective action planned

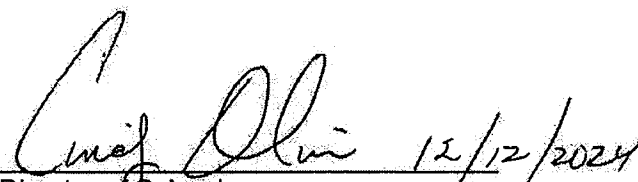
The Lexington City Schools have employed a full-time bookkeeper at each school and provided training programs through attendance at workshops, accounting system vendor and in-house support from the board of education. Principals will review procedures and develop plans to implement segregation of duties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

Anticipated completion date

6/30/2025

Responsible party

Each individual school's principal



Director of Schools 12/12/2024