

LORAINE
INDEPENDENT SCHOOL DISTRICT

**ANNUAL FINANCIAL REPORT PRESENTATION AND
COMMUNICATION OF AUDIT RESULTS**

FOR THE FISCAL YEAR ENDED AUGUST 31, 2023



The information in this presentation handout has been obtained from the current year and prior year Annual Financial Reports. This information is provided for presentation and discussion purposes only and is not to be considered as audited financial statements.

James E. Rodgers and Company, P.C.
Certified Public Accountants

Loraine Independent School District

Annual Financial and Compliance Audit

For the Year Ended August 31, 2023

Executive Summary of Audit Results

Financial Highlights

Governmental Fund Financial Statements

| Red Page No. Reference AFR | General Fund | Food Service Fund | Debt Service Fund | |
|--|--------------------|-------------------|--------------------|---------------------|
| Modified Accrual for Budgetary & Control Purposes | | | | |
| Beginning Fund Balance - All Governmental Funds | \$1,385,715 | \$33,192 | \$150,472 | |
| Excess of Revenues Over Expenditures | (85,773) | (11,045) | 16,197 | |
| Ending Fund Balance - All Governmental Funds | \$1,299,942 | \$22,147 | \$166,669 | Pgs. 19 - 23 |
| Year-end State Foundation Settle-up Receivable or (Overpayment) | | | (\$266,650) | |

Government Wide Statements

| Full Accrual for Overall Financial Condition | Beginning Net Position | Revenues - Expenses | Ending Net Position | |
|---|------------------------|---------------------|---------------------|--------------|
| Statement of Net Position | \$3,998,075 | \$369,170 | \$4,367,245 | Pgs. 17 & 18 |
| Statement of Net Position Without GASB 68 & 75 Effect | \$5,697,918 | \$222,167 | \$5,920,085 | |
| Loraine ISD Education Foundation-Beg Equity < \$1,200,000 | \$3,734,484 | (\$12,990) | \$3,721,494 | Pgs. 25 & 26 |

GASB 68 is State Liability for TRS Retirement & GASB 75 is State Liability for TRS Care Health Insurance

Economic Factors and Attendance Data

| | Years Ended August 31, | | | | |
|--|------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| District Wide (ADA) | 143.5 | 141.5 | 144.8 | 115.6 | 123.5 |
| District Total Staff | 35.8 | 37.0 | 36.6 | 35.8 | 37.0 |
| General Operating Fund Balance | \$ 1,513,612 | \$ 1,536,379 | \$ 1,528,704 | \$ 1,385,715 | \$ 1,299,942 |
| Government Wide Net Position | \$ 3,049,872 | \$ 3,326,590 | \$ 3,725,394 | \$ 3,998,075 | \$ 4,367,245 |
| Total Long-Term Debt | \$ 8,485,000 | \$ 7,955,000 | \$ 6,770,000 | \$ 6,265,291 | \$ 5,805,681 |
| Appraised Value for Property Taxes | \$ 147,494,882 | \$ 171,494,671 | \$ 161,913,085 | \$ 169,024,608 | \$ 166,078,087 |
| Property Tax Rate for M & O | \$ 1.0400 | \$ 0.9700 | \$ 0.9664 | \$ 0.9277 | \$ 0.9277 |
| % Increase (Decrease) in ADA | -1.98% | -1.39% | 2.33% | -20.17% | 6.84% |
| % Increase (Decrease) in State Revenue | 7.25% | -56.14% | 20.91% | -3.22% | 35.42% |

Other Financial Highlights

| | | | |
|---|----------|---|--------|
| Amount the General Fund Transferred to the Lunchroom Fund during the Current Year | \$ _____ | - | Pg. 86 |
|---|----------|---|--------|

Financial Audit Findings

| | | |
|--|------------|-----------|
| Financial Statements Opinion Issued | Unmodified | Pg. 4 |
| GAS Significant Deficiencies or Material Weaknesses in Internal Control Over Financial Reporting | None | Pg. 90 |
| GAS Compliance Findings Material to Financial Statements - Exp > Budget Due to L/T Leases | One | Pg. 90-92 |

Single Audit Findings

| | |
|--|-----|
| Report Issued on Compliance With Major Federal Programs - N/A | N/A |
| Noncompliance or Other Matters Findings Relative to Major Federal Programs | N/A |

Reports to Management & Those Charged With Governance

| | |
|--|-----------------|
| Report to Governance - Communication of No Material Weaknesses - Materiality = \$33,000 | Separate Report |
| Report to Governance at Conclusion of the Audit - Significant Audit Findings and Other Matters | Separate Report |
| Management Letter | Separate Report |

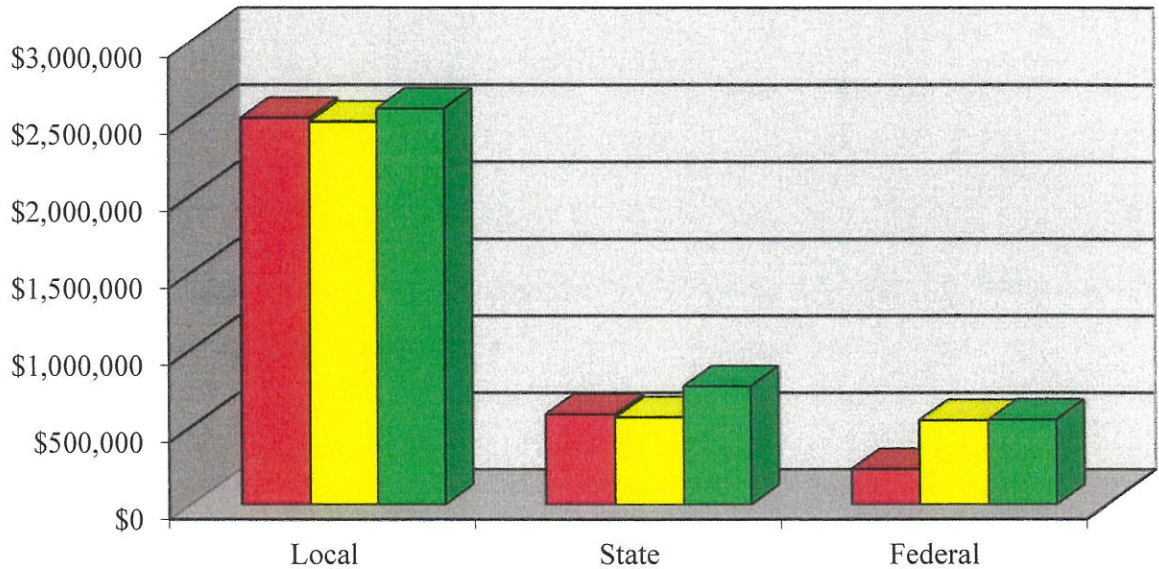
James E. Rodgers and Company, P.C.
 Certified Public Accountants
 20 SW 3rd Street - Hamlin, Texas 79520

LORAIN INDEPENDENT SCHOOL DISTRICT

REVENUES BY SOURCE

| | FY 2020-2021 | FY 2021-2022 | FY 2022-2023 |
|----------------|--------------------|--------------------|--------------------|
| ADA | 144,841 | 115,590 | 123,500 |
| Local | \$2,512,344 | \$2,487,789 | \$2,572,300 |
| State | 586,667 | 567,792 | 768,893 |
| Federal | 231,376 | 548,181 | 550,964 |
| Total | \$3,330,387 | \$3,603,762 | \$3,892,157 |

Revenues by Source



■ FY 2020-2021

■ FY 2021-2022

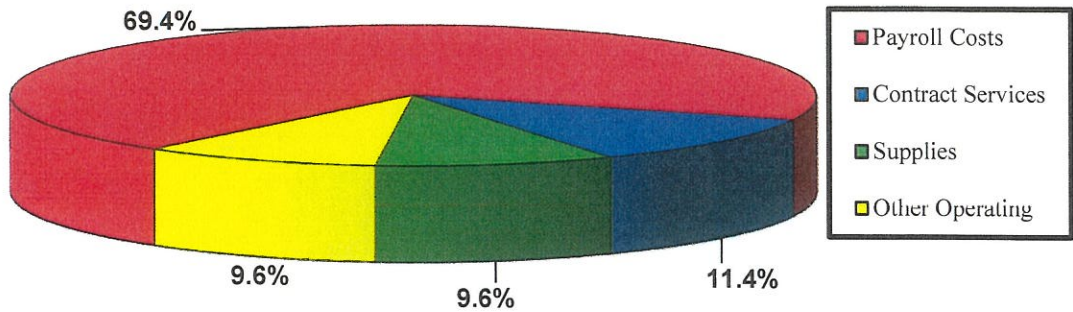
■ FY 2022-2023

LORAINE INDEPENDENT SCHOOL DISTRICT

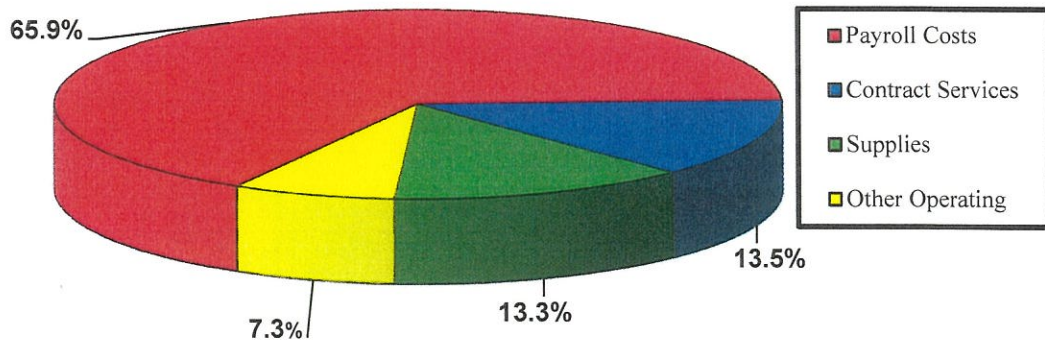
EXPENDITURES BY OBJECT CODE EXCLUDING CAPITAL OUTLAY & DEBT SERVICE

| | FY 2021-2022 | FY 2022-2023 |
|---------------------------|--------------------|--------------------|
| Total Staff | 35.84 | 36.95 |
| Payroll Costs | \$1,907,213 | \$2,126,133 |
| Contract Services | 389,681 | 347,549 |
| Supplies | 384,242 | 295,251 |
| Other Operating | 210,923 | 293,745 |
| Total Expenditures | \$2,892,059 | \$3,062,678 |

Fiscal Year 2022-2023 Expenditures by Object Excluding Capital Outlay & Debt Service



Fiscal Year 2021-2022 Expenditures by Object Excluding Capital Outlay & Debt Service

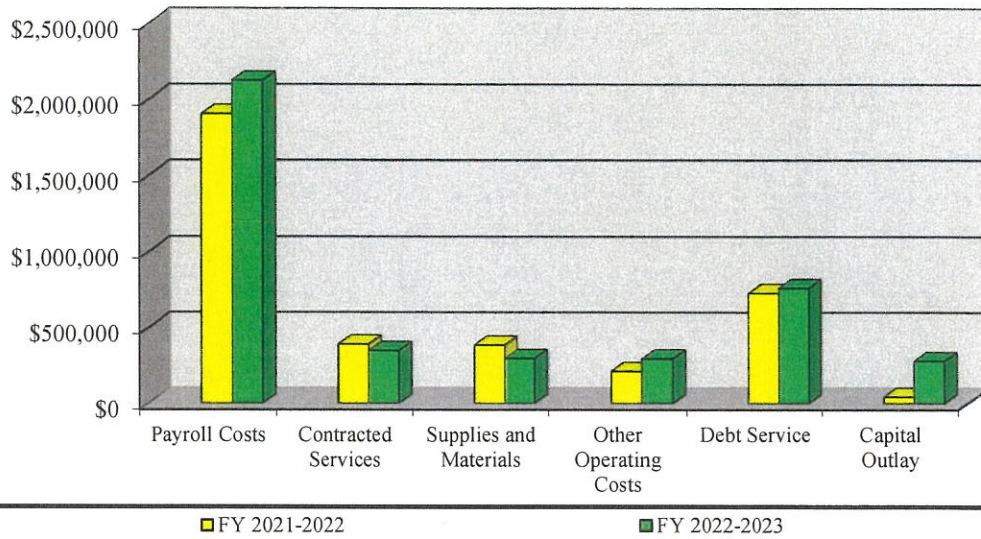


LORAIN INDEPENDENT SCHOOL DISTRICT

Expenditures By Object Code

| | FY 2021-2022 | FY 2022-2023 | Current Year Change From Prior Year | Current % Year Change From Prior Year |
|------------------------|--------------------|--------------------|--|--|
| Total Staff | 35.84 | 36.95 | | |
| Payroll Costs | \$1,907,213 | \$2,126,133 | \$ 218,920 | 11.48% |
| Contracted Services | 389,681 | 347,549 | (42,132) | -10.81% |
| Supplies and Materials | 384,242 | 295,251 | (88,991) | -23.16% |
| Other Operating Costs | 210,923 | 293,745 | 82,822 | 39.27% |
| Debt Service | 728,916 | 761,842 | 32,926 | 4.52% |
| Capital Outlay | 42,050 | 278,770 | 236,720 | 562.95% |
| Total | \$3,663,025 | \$4,103,290 | \$ 440,265 | 12.02% |

Operating Expenditures



James E. Rodgers and Company, P.C.

Certified Public Accountants

20 Southwest Third Street • PO Box 669 • Hamlin, Texas 79520 • Tel: 325-576-2356 • Fax: 325-576-3525

E-mail: rodgerscpa@att.net

Member of Texas Society of CPA's and American Institute of CPA's

Richard E. Rodgers CPA • Gerald L. Rodgers CPA

December 18, 2023

Communication of No Material Weaknesses in a Separate Report

**To the Board of Trustees and Superintendent
Loraine Independent School District
Loraine, Texas 79532**

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loraine Independent School District as of and for the year ended August 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Loraine Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loraine Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Loraine Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of management, the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



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December 18, 2023

Communication With Those Charged with Governance at the Conclusion of the Audit

To the Board of Trustees and Superintendent
Loraine Independent School District
Loraine, Texas 79532

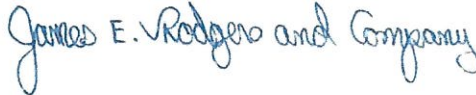
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loraine Independent School District for the year ended August 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 25, 2023. Professional standards also require that we communicate to you the following information related to our audit.

| Area | Auditor Comments |
|---|---|
| Qualitative Aspects of Accounting Practices | <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Loraine Independent School District are described in Note 1 to the financial statements. No new accounting policies were adopted except for GASB 96, and the application of existing policies were not changed during the year ended August 31, 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:</p> <ul style="list-style-type: none">❖ Management's estimate of the useful life of capital assets.❖ The estimates include the determination of the District's net pension liability as required by GASB 68 and the Accounting estimates determination of the OPEB liability required by GASB 75. |

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| Area | Auditor Comments |
|--|---|
| Disclosures | <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:</p> <ul style="list-style-type: none">❖ The disclosure of the District's participation in the Teacher Retirement System of Texas including the provisions and obligations of the District under that plan and the TRS Active Care in the notes to the financial statements including required schedules and disclosures required by GASB 68 and 75.❖ The disclosure of current litigation (if any) in the notes to the financial statements. There were no issues or judgments in formulating the disclosure due to the lack of current litigation. <p>The financial statement disclosures are neutral, consistent, and clear.</p> |
| Difficulties Encountered in Performing the Audit | <p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p> |
| Corrected and Uncorrected Misstatements | <p>Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.</p> |
| Disagreements with Management | <p>For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.</p> |
| Management Representations | <p>We have requested certain representations from management that are included in the management representation letter dated December 18, 2023.</p> |
| Management Consultation with Other Independent Accountants | <p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.</p> |
| Other Audit Findings of Issues | <p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p> |

James E. Rodgers and Company, P.C.

| Area | Auditor Comments |
|--------------------|--|
| Other Matters | <p data-bbox="449 268 1451 569">We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, and GASB 68 and 75 schedules for pension and OPEB liabilities and contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</p> <p data-bbox="449 590 1451 989">We were engaged to report on combining and individual nonmajor fund financial statements, and the Texas Education Agency required information in conformity with laws and regulations of the State of Texas in Exhibits J-1 through J-4, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p> <p data-bbox="449 1010 1451 1167">We were not engaged to report on the Schools First Questionnaire, which accompanies the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.</p> |
| Restriction on Use | <p data-bbox="449 1209 1451 1308">This information is intended solely for the information and use of the Board of Trustees and the Superintendent of Loraine Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.</p> <p data-bbox="449 1339 727 1371">Respectfully submitted,</p> <p data-bbox="449 1392 922 1486"></p> <p data-bbox="449 1514 889 1541">James E. Rodgers and Company, P.C.</p> |

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December 18, 2023

Independent Auditor's Management Letter

**Board of Trustees and Superintendent
Loraine Independent School District
Loraine, Texas 79532**

Members of the Board and Superintendent:

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loraine Independent School District (the District) as of and for the year ended August 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. A separate letter dated December 18, 2023, was issued to report to management and those charged with governance reporting no material weaknesses in internal controls over financial reporting were identified in the audit.

We do offer the following recommendations and other matters that we consider important to future operational effectiveness that are not deficiencies in internal control.

SIGNIFICANT CHANGES IN ACCOUNTING FOR LONG-TERM LEASES AND SABITA'S

The District should continue reporting under the Governmental Accounting Standards Board GASB Statement No. 87 and 96 which requires the District to account for all leases entered into by the District with a lease term or arrangement term greater than one year to be accounted for as a Long-Term Right to Use Lease or SBITA (Subscription Based Information Technology Arrangements) Liability based on the foundation principal that leases & SBITA's are financings with the right to use an underlying asset and therefore should be accounted for as a purchase of an asset with included financing.



James E. Rodgers and Company, P.C.

The District should record the initial execution of long-term leases such as bus leases which have a term greater than one year as a purchase through lease proceeds. The comments and recommendations documented in this letter have been presented for consideration in maintaining and improving internal controls and operating efficiency of the Loraine Independent School District. We are required to review the status of these comments during our next audit engagement.

The comments and recommendations documented in this letter have been presented for consideration in maintaining and improving internal controls and operating efficiency of the Loraine Independent School District. We are required to review the status of these comments during our next audit engagement.

This report is intended solely for the information of the District's trustees, administration, others within the District, the Texas Education Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

James E. Rodgers and Company

James E. Rodgers and Company, P.C.

ASSET DETAILS (Continued)

Total Equities **\$1,376,513.63** **\$700,000.00** **-\$7,518.19** **\$6,486.38** **0.471%**

N"Non-covered" security - Axos Clearing will not report any cost basis information to the IRS. The taxpayer is required to report cost basis to the IRS once the asset is sold.

~ This section contains a DPP or REIT. Direct participation program securities (e.g. partnerships, limited liability companies, and real estate investment trusts which are not listed on national exchanges or the NASDAQ) are generally illiquid; no formal trading market exists for these securities; and their values will be different than the purchase price. Unless otherwise indicated, the values shown herein for such securities have been provided by the management of each program and represent management's estimate of the investor's interest in the net assets of the program. Therefore, the estimated values shown herein may not necessarily be realized upon sale of the securities.

Description of Estimated Value

(d) Estimate of the investors' interest in the net assets of the program

(e) Estimate of the value of the security

Source of Value Information

(f) Management of the program

Method of Valuation

(i) Based on a valuation of the assets and liabilities of the program performed by, or with the material assistance or confirmation of, an independent third-party valuation expert or service.

(j) Based solely on program management's estimate of the value of the program's net assets with no independent confirmation

(l) Based on the book value of the program's net assets or capital accounts

(o) Price of program interests in an initial offering that closed no more than twelve months prior to the valuation date

| | Symbol | C/N° | Quantity | Current price | Average unit cost | Current value | Cost | Unrealized gain/(-)loss* | Anticipated annualized income | Current yield % |
|------------------------------------|-----------|------|----------|---------------|-------------------|-----------------------|---------------------|--------------------------|-------------------------------|-----------------|
| TAXABLE BONDS AND CDS | | | | | | | | | | |
| RED OAK CAP FD IV LLC | 75678LAB2 | C | 150,000 | 100.0000 | 100.0000 | 150,000.00 | 150,000.00 | N/A | 12,375.00 | 8.250% |
| SR SEC BOND SER B | | | | | | | | | | |
| ACCD INV | | | | | | | | | | |
| CPN 8.250% DUE 06/30/26 | | | | | | | | | | |
| DTD 02/21/20 FC 04/25/20 | | | | | | | | | | |
| CALL 12/30/24 @ 100.000 | | | | | | | | | | |
| RED OAK INCOME OPTTY FD | 756800AC2 | N | 1,000 | 1,000.0000 | N/A | 1,000,000.00 | N/A | N/A | 8,000.00 | 0.800% |
| LLC SR SEC BOND CORE | | | | | | | | | | |
| ACCD INV | | | | | | | | | | |
| CPN 8.000% DUE 06/30/27 | | | | | | | | | | |
| DTD 01/01/21 FC 06/30/21 | | | | | | | | | | |
| Total Taxable Bonds And CDs | | | | | | | | | | |
| | | | | | | \$1,150,000.00 | \$150,000.00 | \$0.00 | \$20,375.00 | 1.771% |

N"Non-covered" security - Axos Clearing will not report any cost basis information to the IRS. The taxpayer is required to report cost basis to the IRS once the asset is sold.

C "Covered" security - Axos Clearing will report required cost basis information to the IRS once the asset is sold. Information that will be reported - proceeds, adjusted cost, gain/loss, and holding period(i.e. long-term or short-term)

| | Symbol | C/N° | Quantity | Current price | Average unit cost | Current value | Cost | Unrealized gain/(-)loss* | Anticipated annualized income | Current yield % |
|--|--------|------|-----------|---------------|-------------------|-----------------------|---------------------|--------------------------|-------------------------------|-----------------|
| MUTUAL FUNDS | | | | | | | | | | |
| APOLLO | GCSEX | C | 5,707.822 | 28.6500 | 23.8533 | 163,529.10 | 136,150.51 | 27,378.59 | 7,447.11 | 4.554% |
| DIVERSIFIED REAL ESTATE | | | | | | | | | | |
| CL C | | | | | | | | | | |
| Total Mutual Funds | | | | | | | | | | |
| | | | | | | \$163,529.10 | \$136,150.51 | \$27,378.59 | \$7,447.11 | 4.554% |
| C "Covered" security - Axos Clearing will report required cost basis information to the IRS once the asset is sold. Information that will be reported - proceeds, adjusted cost, gain/loss, and holding period(i.e. long-term or short-term) | | | | | | | | | | |
| Total Portfolio Assets | | | | | | | | | | |
| | | | | | | \$2,690,042.73 | \$986,150.51 | \$19,860.40 | \$34,308.49 | 1.275% |

| | | |
|---------------------------------|-----------|----------------|
| 2023 Blue Bird 40 Passenger Bus | \$ | 135,150 |
| 2023 Chevrolet Traverse | \$ | 22,435 |
| 2022 Chevrolet 2500 | \$ | 60,745 |
| 2024 Chevrolet Equinox | \$ | 27,540 |
| 2021 Hustler Mower | \$ | 8,799 |
| Playground | \$ | 17,600 |
| 2023 Compass Trailer | \$ | 6,500 |
| TOTAL | \$ | 278,769 |
| Total Additions | \$ | 278,769 |
| Total Deletions | | - |
| Net Change | \$ | 278,769 |