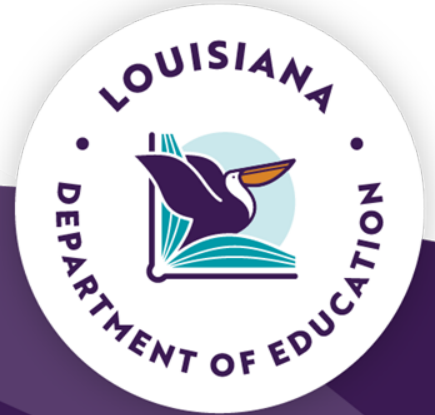


# Annual Financial Report (AFR)/LAUGH

August 2025

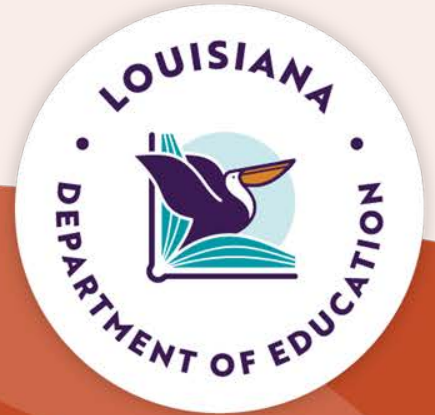


# Outline




- Define the AFR
- Identify the State Laws & Requirements for Reporting Financial Data to the LDOE
- Louisiana Accounting & Uniform Governmental Handbook (LAUGH)
- AFR Submission, Review Process & Ratings
- Appendix

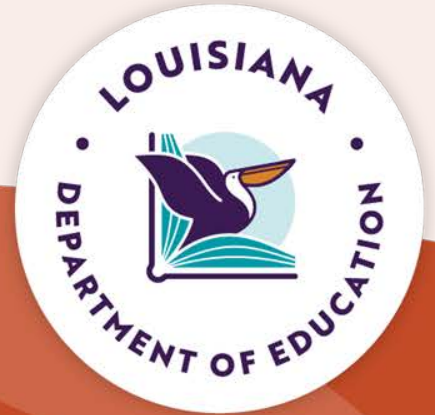
# Define the AFR



# What is the AFR?

- The AFR is used to collect, consolidate, and review computerized fiscal data from the Local Education Agencies (LEA) to support LDOE management decisions, and to respond to various requests for educational financial data.
  - The AFR provides a summary of all financial activities for the LEA during the fiscal year being reported (i.e., preceding July 1- June 30), together with the status of selected funds and/or account groupings as of the end of that fiscal year (June 30).
- 
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# Identify the State Laws & Requirements for Reporting Financial Data to the LDOE



# Laws

## **Louisiana Revised Statute 17:92**

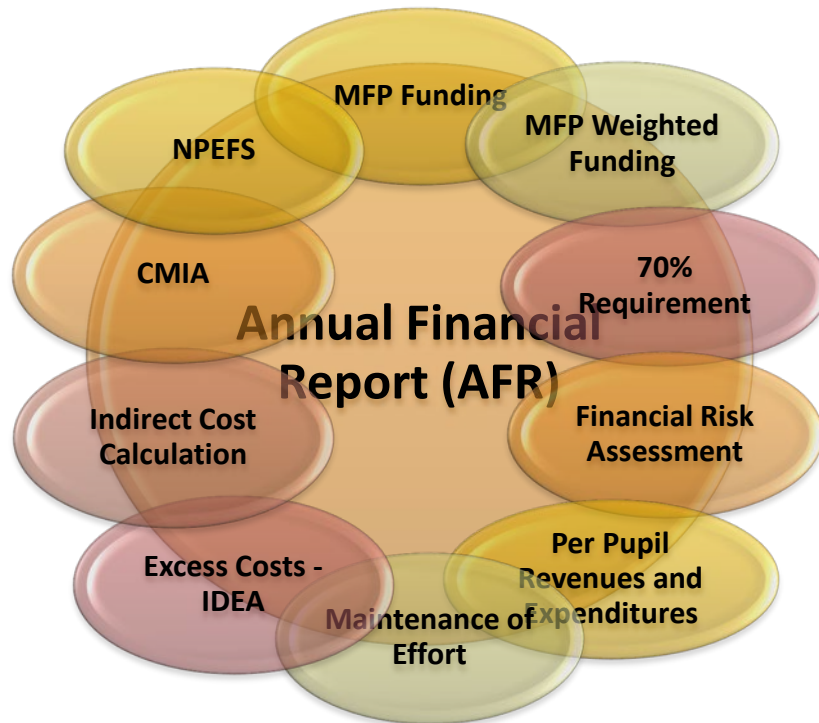
Requires LEA Annual Financial Reports be submitted to the LDOE by September 30<sup>th</sup> of each year

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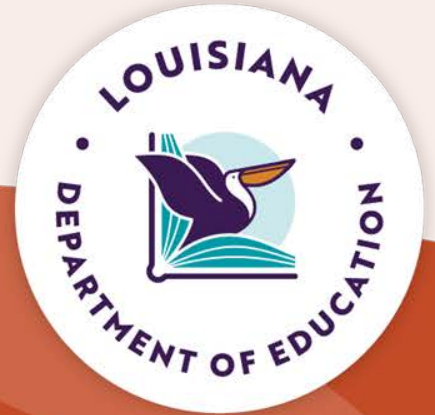
# Requirements for Reporting Financial Data

Revenues and expenditures reported on the AFR are used to either:

- 1) Determine allocations to the LEAs and to the State of Louisiana,
- 2) Determine compliance with various state and/or federal requirements,
- 3) Provide data to make financial and/or other business decisions



# Louisiana Accounting & Uniform Governmental Handbook (LAUGH)



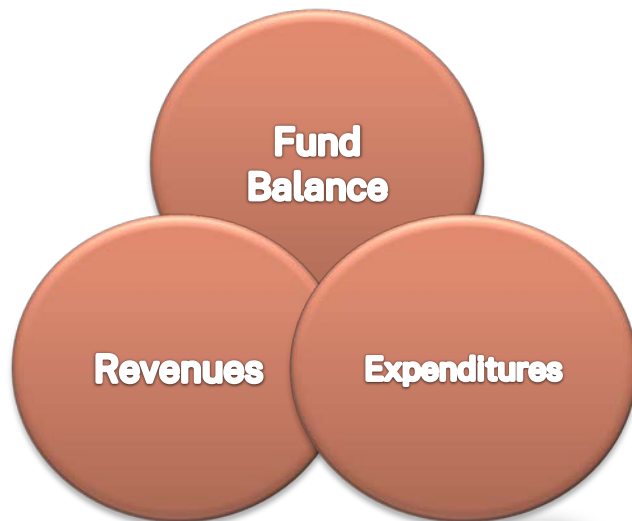


# Louisiana Accounting & Uniform Governmental Handbook (LAUGH)

- Serves as the official Chart of Accounts for financial reporting
- Conforms to Generally Accepted Accounting Principles (GAAP)
- Conforms to USDE financial handbook
- Provides for full disclosure of financial information

LAUGH Guide:

<https://www.louisianabelieves.com/docs/school-choice/guide---laugh-guide.pdf?sfvrsn=2>



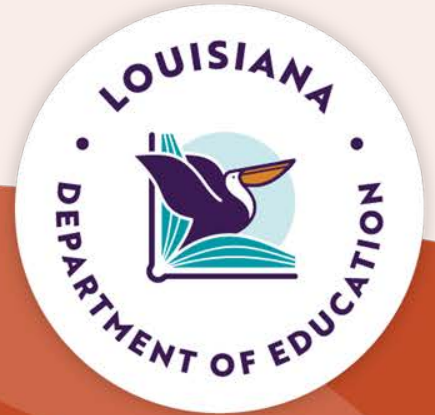
# LAUGH Components

LAUGH includes detailed descriptions and guidance for:

- Measurement focus and basis of accounting
  - Fund Accounting (Modified Accrual) vs. Government-Wide (Full Accrual)
- Account classification structure
  - Fund, Source, Object, Function, and Balance Sheet Accounts
- Fund classifications
  - Governmental, Proprietary, Fiduciary
- Revenue Account Codes
  - Local, State, or Federal revenue source



# AFR Submission, Review Process & Ratings



# AFR Submission

- All Fiscal Project Codes (FPCs) (primary and secondary) must be uploaded separately via the Edlink Ops Portal: <https://ldoe.edlink.la.gov/#/>
- *Do not mail/e-mail copies of AFR spreadsheets or text files to LDOE unless they are specifically requested.*
- AFR Instructions & Forms: <https://ldoe.edlink.la.gov/#/>

# AFR Submission Fiscal Project Codes (FPC)

**Primary FPC**  
Applicable to all LEAs

## **AA0 – Basic AFR**

- Includes all financial transactions for the LEA during the fiscal year being reported (i.e., preceding July 1- June 30), together with the status of selected funds and/or account groupings as of the end of that fiscal year (June 30).
- All educational revenues and expenditures regardless of source (MFP, state general fund, federal, local, self-generated hurricane and flood, etc.) must be included in the AFR.

# AFR Submission Fiscal Project Codes (FPC)

## Secondary FPCs

NOT Applicable to all LEAs

**AB1 – Economically Disadvantaged (ED) (KPC 4300 – column 4)**

**DF1 – Flood Preparation & Recovery**

**DH1 – Hurricane Recovery**

- All entries in the secondary FPCs must be included in the primary FPC (AAO).
- The column and key punch code (kpc) where amounts are entered in the secondary FPCs should be reported in the same column and kpc in the primary FPC (AAO).

# AFR Review Process

## AFR Review Edits & Reviews


### AFR Edits

#### **1. Revenues Violating Block Out**

If a Key Punch Code (KPC) appears on this report, then either a correction should be made to reclassify the revenue or an explanation should be provided for the amount that is not reclassified. If you also reported expenditures related to these revenues they should be reclassified.

#### **2. Calculated vs Reported Excess/Deficiency (KPC 51190)**

The Excess or Deficiency of Revenues and Other Sources of Funds minus the sum of Expenditures and Other Uses of Funds should be compared to the amounts reported in KPC 51190. Total Revenues (KPC 15000) plus Other Sources of Funds (KPC 51000) minus Total Expenditures (KPC 50900) plus Other Uses of Funds (KPC 51180).



# AFR Review Process

## AFR Review Edits & Reviews

### AFR Edits

#### **3. Calculated vs. Reported End of Year Balances**

If fund balances are reported correctly, zeros will be in each column of the spreadsheet. Where numbers appear in the spreadsheet, it indicates that the district has reported something incorrectly. The beginning fund balance (KPC 51195) should always equal the prior year's ending balance. If the LEAs reported beginning fund balance (KPC 51195) is not equal to the prior years ending fund balance, LEADS will reject the incorrect beginning fund balance and insert zeros in KPC 51195. Any adjustments should be made in KPC 51194 (Prior Year Adjustment).

#### **4. Check Internal Math of Reported Fund Balance Records**

Compare beginning of year fund balance (KPC 51195) plus reported excess/deficiency (KPC 51190) plus transfer in (KPC 51192) minus transfer out (KPC 51193) plus prior year adjustment (KPC 51194) to reported end of year balance (KPC 51196). ERRORS CAN OCCUR IF BEGINNING FUND BALANCE DOES NOT EQUAL TO PRIOR YEARS ENDING FUND BALANCE.



# AFR Review Process

## AFR Reviews

### 1. Identify Zero Balance Records

Review all KPCs with zero balances for accuracy

### 2. Identify Negative Balance Records

Review all negative balances for accuracy

### 3. Required Data List

Review the report and verify that salary data has been accurately reported


### 4. Compare Employee Benefit vs. Salaries

Salaries with no benefits need explanations and/or corrections if reported incorrectly.

Health Benefits for Retirees must be reported in the separate functional areas throughout the AFR (i.e., Regular Programs, Special Education Programs, Career and Technical Education Programs, etc.).

**Not doing so will negatively affect the school's indirect cost rates.**

Sick Leave Severance Pay should also be accurately reported in each section of the AFR.



# AFR Review Process

## Other AFR Comparisons and Reviews (amounts must equal)


- Ad Valorem Tax Revenue Comparison (Not Applicable to Charters)
- Sales/Use Tax Revenue Comparison (Not Applicable to Charters)
- Comparison of Prior Year “Ending Balance” (KPC 51196) and Current Year “Beginning Balance” (KPC 51195)
- Comparison of Current Year “Ending Balance” (KPC 51196) and Balance Sheet “Total Fund Balance” (KPC 54000)
- Comparison of Balance Sheet “Total Assets” (KPC 51690) and Balance Sheet “Total Liabilities and Fund Balance” (KPC 55300)
- Comparison of Capital Assets, Long Term Debt and Permanent Funds (Table III)

# AFR Review Process

## Comparison of Prior Year vs. Current Year Data

This report compares data reported in the prior year to data reported in the current year.

*Note: First year charters do not provide explanations for this section. We require all first year charters to review the line items for accuracy.*


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# AFR Review Process

## Every Student Succeeds Act (ESSA) - Maintenance of Effort (MOE)

Annual Financial Report data is used to calculate each LEA's MOE for the ESSA program. For MOE, the LEA must determine that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year.

The ESSA AFR Edit Check was created to:

- ❖ Determine if LEAs have met the ESSA MOE requirement prior to closing the LEADS portal
  - ❖ Allows the LEA to review and make corrections
- 


# AFR Review Process

## Verification of Revenues and Expenditures

- Local Revenue Representation Transfer From Other LEA (KPC 3350)
- MFP Payments (KPC 4300 + KPC 4450)
- MFP Payments – School Lunch Fund (KPC 4450)
- PIP (5650)
- Employer's Contribution to Teachers Retirement - PIP (7600)
- Dues and Fees (KPC 38765)

# **AFR Review Process**

## **Balances at End of Year (KPC 51196)**

- Due to the Cash Management Improvement Act, there should be no fund balances in columns 5 & 6. If there are balances in these columns, the LEA should review the AFR and make any necessary corrections. Written explanations must be provided if the LEA deems that the balance is correct.
  - The General Fund should have a balance greater than or equal to 0.
- 
- A decorative graphic at the bottom of the slide consisting of several overlapping, wavy, diagonal bands in various shades of teal and blue, creating a modern, abstract background.

# AFR Ratings

**The Ratings are applied as follows:**

**Excellent** – complete & error free AFR submitted to the LDOE on or before October 31

**Good** – complete & error free AFR is submitted to the LDOE between November 1 - November 28

**Needs Improvement** – complete & error free AFR is submitted to the LDOE between December 1 - December 30

**Unacceptable** - complete & error AFR is submitted to the LDOE December 31 or later



# AFR Ratings

## Complete & Error Free AFR

- **A complete AFR includes all applicable Fiscal Project Codes (FPC)**
- **An error free AFR is a complete AFR that:**
  - ❖ Balances
  - ❖ Has no outstanding edit errors
  - ❖ Has no outstanding explanations



# Appendix

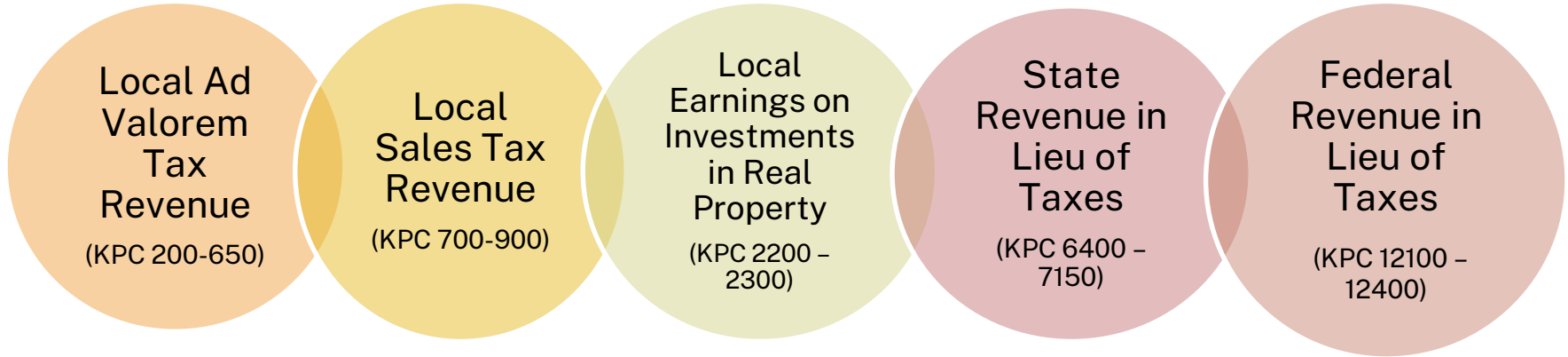


# Minimum Foundation Program (MFP)

- The MFP formula is adopted by the State Board of Elementary and Secondary Education (SBESE) and approved by the Legislature.
- MFP determines the cost of a minimum foundation program of education in all public elementary and secondary schools and helps to allocate the funds equitably to parish, city and other local school systems
- MFP funds are not earmarked for specific purposes but are intended, in combination with other funds available to the local school systems, to provide the fiscal requirements of operating a school system.



# Minimum Foundation Program (MFP)



Revenues reported in the AFR have a direct effect on the MFP allocation to **ALL** LEAs



# Indirect Cost Calculation

## Indirect Cost Rate

- The restricted and unrestricted indirect cost rates for each LEA is based on the expenditures reported in its AFR
- The indirect cost rate is applied against allowable federal expenditures to determine the maximum indirect costs for each LEA
- Indirect Cost Rate Formula = 
$$\frac{\text{Indirect Costs}}{\text{Unallowed Costs} + \text{Direct Costs}}$$



# Indirect Cost Rate

The indirect cost calculation includes expenditures from the AFR that are identified as Direct, Indirect, Excluded or Unallowed for the following expenditure functions:

## 1000 Series

- Instruction

## 2000 Series

- Support Services

## 3000 Series

- Non-Instructional Services

## 4000 Series

- Facility Acquisition & Construction Services

## 5000 Series

- Other Uses of Funds

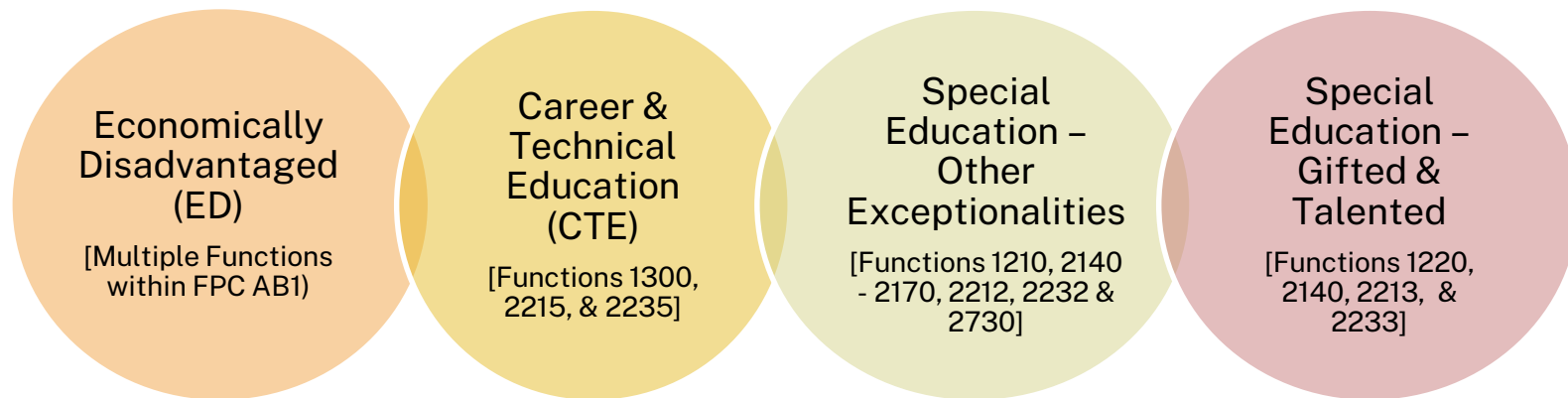


# National Public Education Financial Survey (NPEFS)

- The AFR populates the NPEFS
- This information is used in the allocation of Title I funds from the USDOE



# MFP Weighted Funding



The weighted allocation is intended to support the educational expenditures relative to each area.

The weighted allocations are included in the MFP budget letter.



# MFP Weighted Funding

The LEA AFRs are designed in such a way to ensure statutory compliance with Act 310 of the 2009 Regular Legislative Session

- ❖ Economically Disadvantage (ED) Revenues and Expenditures
- ❖ Career & Technical Education (CTE) Revenues and Expenditures
- ❖ Other Exceptionalities and Gifted & Talented Revenues and Expenditures
- ❖ Per Pupil Revenues and Expenditures





# Seventy Percent (70%) Instruction Requirement

## Instruction

1000 Series  
Expenditure  
Functions (Except  
1600 – Adult Ed)

## Pupil Support Services

2100 Series  
Expenditure  
Functions

## Instructional Staff Services

2200 Series  
Expenditure  
Functions

## School Administration

2400 Series  
Expenditure  
Functions

At least 70% of General Fund dollars spent must be used for instruction at the school building level



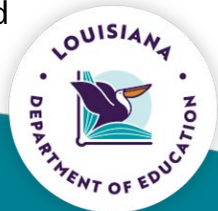
# Seventy Percent (70%) Instruction Requirement

- Exp. Object 100: Teachers and Teacher Aides Salaries
- Exp. Object 200: Teachers and Teacher Aides Benefits
- Exp. Object 300: Purchased Professional and Technical Services
- Exp. Object 600: Textbooks, Instructional Materials, and Supplies
- Exp. Object 700: Instructional Equipment

## Instruction

Activities dealing directly with the interaction between teachers and students

- ❖ At the close of the AFR system, an automated calculation is performed directly from the AFR data reported and captured in LEADS.
- ❖ Actual expenditures reported in the applicable key punch codes are pro-rated between the school site and the central office based on the most recent October 1 SIS base count and PEP data, such as salaries and staff counts



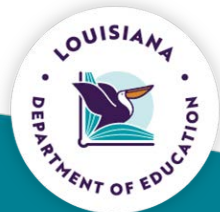
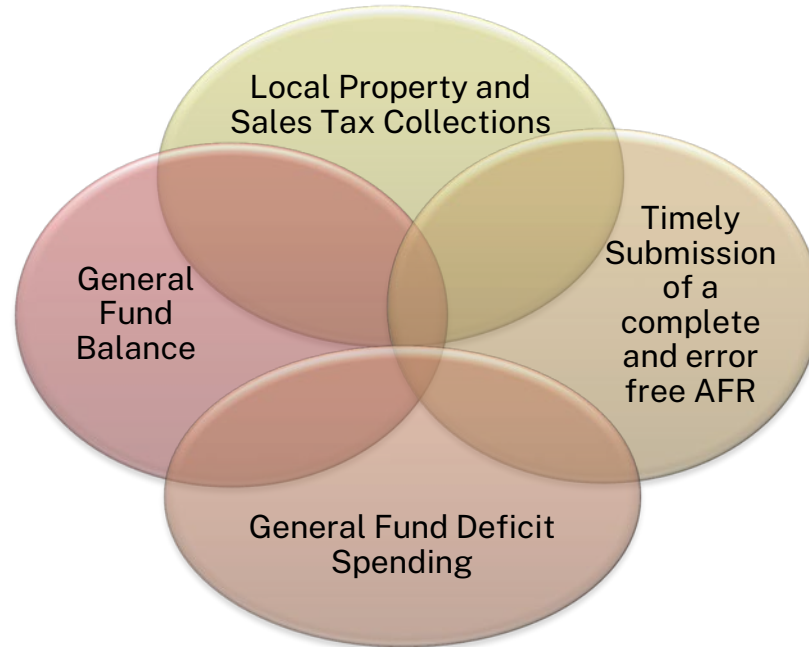
# The Financial Risk Assessment (FRA)

- Required by Act 7 of the 2005 Regular Louisiana Legislative Session to define “financially at risk” as a status of any city, parish or other local school board
- By law, each city, parish or other local public school board shall be notified on a regular basis by the state Department of Education of its status related to the elements of the definition of financially at risk.
- Provides notification to the BESE and the LDOE about the financial standing of LEAs, relying on information being forthcoming from the local school systems.



# The Financial Risk Assessment (FRA)

There are four specific areas of reported data within the AFR that are included in the FRA



# The Financial Risk Assessment (FRA)

## Local Property and Sales Tax Collections

This factor includes a review of local property and sales tax collections over the last five years

The ability of a school system to provide local revenue can be measured by:

- changes in property and sales tax collections, and
- per pupil local taxes collected within a local school system in comparison to the average per pupil local taxes collected by all school systems.



# The Financial Risk Assessment (FRA)

Timely  
Submission of  
complete and  
clean AFR

This factor is based on when the LEA's complete and clean AFR is submitted to the LDOE

## The ratings are applied as follows:

**Excellent** – complete & clean AFR submitted to the LDOE on or before October 31

**Good** – complete & clean AFR is submitted to the LDOE between November 1 - November 29

**Needs Improvement** – complete & clean AFR is submitted to the LDOE between November 30 - December 29

**Unacceptable** – complete & clean AFR is submitted to the LDOE after December 29



# Maintenance of Effort (MOE)

- MOE is calculated for both IDEA Part B and ESSA using the expenditures recorded in each LEA's AFR
- MOE can be met in aggregate of total expenditures or on a per pupil basis using student count data from SIS and/or SER
- Failure to meet MOE will result in a reduction in grant allocations for ESSA and repayment of funds from local sources for IDEA Part B



# MOE - ESSA

- Requires that the most current year of state and local expenditures be equal to or greater than 90% of those same expenditures for the prior year (In aggregate or per pupil)
- Expenditures excluded from the calculation are:
  - ❖ Debt Service Expenditures
  - ❖ Facilities and Construction Acquisition Expenditures
  - ❖ Community Service Expenditures
  - ❖ Federal Expenditures





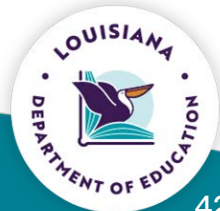
# MOE - ESSA

- There are no exceptions for ESSA MOE compliance
- Failure to meet ESSA MOE will result in the LEA's current allocation being reduced by the same proportion that MOE was not met
- An LEA has to fail the ESSA MOE requirement more than once over a five year period before reductions in allocations may be made.
- The LEA may opt to submit a waiver request to USDE requesting to regain the reduced grant funds. (LDOE assists in this effort)



# MOE - IDEA

- Requires that the most current year state and local or local only special education expenditures be equal to or greater than those same expenditures for a prior year (In aggregate or per pupil)
  - ❖ Verification – uses current year budget
  - ❖ Confirmation – uses most recent actual expenditures
- Approximately 240 individual key punch codes are included in this MOE calculation



# MOE - IDEA

- If MOE is not met in aggregate or/and per pupil basis using state and local or local only expenditures:
  - ❖ There are allowable exceptions that may be applied, and
  - ❖ Adjustment to AFR data may be made with supporting documentation
  - ❖ IDEA MOE does not have a waiver option



# MOE - IDEA

- Allowable Exceptions include:
  - ❖ Voluntary departure of special education and related personnel
  - ❖ Decrease in the enrollment of children with disabilities
  - ❖ Termination of the obligation to provide services to a child because the child left your jurisdiction, reached the age that you are no longer obligated to provide services, or no longer needs services
  - ❖ Termination of costly expenditures for long-term purchases
  - ❖ Assumption of cost by the LEA (High Cost Services funds)



# MOE - IDEA

- Failure to meet IDEA MOE will result in the LEA repaying the federal awarding agency the amount by which MOE was not met (not to exceed the grant awarded amount)
- This repayment must be made from the general fund
- If the independent auditor determines through their audit that a reporting error occurred in one of the key punch codes used to calculate MOE, maintain documentation of that error to substantiate adjusting your expenditures for the MOE calculation



# Excess Costs - IDEA

- Excess costs are the educational costs of any elementary or secondary school student with a disability that are in excess of the average per pupil expenditure in an LEA during the preceding fiscal school year
- The minimum average per pupil amount for children with disabilities in elementary schools must be computed separately from the minimum average per pupil amount for children with disabilities in secondary school



# Excess Costs - IDEA

- Excess costs are the educational costs of any elementary or secondary school student with a disability that are in excess of the average per pupil expenditure in an LEA during the preceding fiscal school year
- The minimum average per pupil amount for children with disabilities in elementary schools must be computed separately from the minimum average per pupil amount for children with disabilities in secondary school



# Excess Costs (IDEA) – Minimum Average Amount Calculation

## From The Prior Year AFR:

Total Expenditures (local, state, and federal)

Minus: Capital Outlay expenditures

Minus: Debt Service expenditures

Minus: Federal IDEA Part B expenditures

Minus: Federal, State, and local Title I Part A expenditures

Minus: Federal, State, and local Title III Parts A and B expenditures

Calculated Expenditures

Divide the calculated expenditures by the total number of students per SIS





# Excess Costs (IDEA) – Minimum Average Amount Calculation cont'd

Excess Costs – Current Year Excess Cost Calculation



Compare the actual state and local Special Education Expenditures spent per the AFR to the calculated required Excess Costs to determine if there was an excess or deficiency

# Cash Management Investment Act (CMIA)

- CMIA requires that all grantees and sub grantees have, as part of their financial management systems, procedures for minimizing the time between requesting funds and disbursing the funds.
- LEAs should only request the amount they have expended and are expected to pay as soon as federal funds arrive.
- Other than the cash-neutral request for salary expenditures, reimbursements from federal programs should not be requested or recorded prior to recording the related expenditures
- Federal revenues and expenditures must be recorded for the correct key punch code and the correct fund in the AFR



# Cash Management Investment Act (CMIA)

## **AFR Column 5 – Special Federal Funds**

- IDEA
- ROTC
- Head Start
- Career & Technical Education (Federal Portion)
- LA 4 (Federal Portion)

## **AFR Column 6 – Federal ESSA Funds**

- ESSA

## **AFR Column 7 – Other Special Funds**

- Any Other Federal, State, or Local

## **AFR Column 9 Capital Projects Funds**

- FEMA

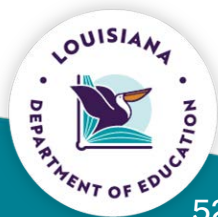
**There should not be a fund balance in columns 5 or 6**



# Cash Management Investment Act (CMIA)

**A positive fund balance indicates that you received more federal money than you spent**

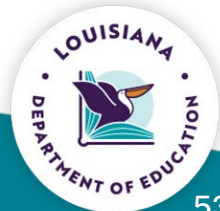
- This could require refunding the funds to the federal awarding agency along with calculated interest on these excess funds
- Upon closing the AFR system, AFRs with a federal fund balance are forwarded to Appropriation Control for collection



# Cash Management Investment Act (CMIA)

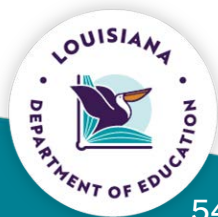
**A negative fund balance is an error because you cannot spend federal monies that you did not receive**

- “Excess” expenditures should be re-coded to the General Fund
- Negative Federal fund balances can result in errors for MOE, Excess Costs, etc.



# National Center for Education Statistics (NCES)

- Upon closure of the AFR System, the LDOE is required to report every line item on the AFR to the NCES
- The NCES publishes this AFR data for the State of Louisiana and its LEAs on a national level
- Various federal agencies, including the USDOE, utilize this data to make financial decisions about grant funding, to perform program evaluation, to perform comparisons among states, and to identify and target areas for improvement for the State of Louisiana



# Contact Information

Louisiana Department of Education  
1-877-453-2721

## ***Audit Unit***

P. O. Box 94064  
Baton Rouge, LA 70804-9064

Phone: (225) 342-3617  
Toll Free: 1-877-453-2721



# Contact Information

Office of School System Financial Services

State Audit Division

[staudit@la.gov](mailto:staudit@la.gov)

225.342.3617

