

# Financial Risk Assessment – Description of Factors (FY2019-20)

## **Part I: Assessment of External Factors Influencing Financial Behavior of LEA**

### **(A) Public School Enrollment**

This assessment factor looks at trends in public school enrollment over a five year period. School systems must adjust to changing enrollment. Tracking and projecting student enrollment suggests which school systems may be required to make adjustments in order to retain financial viability. This financial assessment factor highlights school systems that incur a loss of students over a five year period in different magnitudes. It also highlights the number of years with a decline in student enrollment.

**Source:** Student Information System (SIS); Elementary/Secondary student count; October 1, 2015 through October 1, 2019

### **(B) Non-Public School Enrollment (K-12)**

This assessment factor looks at non-public school enrollment in state-approved non-public schools. It highlights the percentage of non-public enrollment to total district enrollment, actual non-public school enrollment for the latest available year, and any change greater than 15% in non-public enrollment for the latest five years. A change in public school enrollment is captured in Public School Enrollment Trends (Factor A); however, the documentation of the non-public school enrollment can provide a reason for this change.

**Source:** Non-public Schools Annual Data Collection by LDOE; K-12 student count; School Years 2015-2016 through 2019-2020

**Note:** This assessment factor is applicable to City-Parish only.

### **(C) Local Property and Sales Tax Collections**

This assessment factor looks at 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, the per pupil local taxes collected within a local school system compared to average per pupil local taxes collected by all school systems, and the local tax effort index as computed by the Louisiana Department of Education.

**Source:** Annual Financial Reports (AFR); FY2014-2015 through FY2018-2019

**Source:** Student Information System (SIS); MFP Funded Count; October 1, 2018

**Source:** Local Tax Effort Index; FY2019-2020 MFP Budget Letter based on FY2017-2018 tax data

**Note:** This assessment factor is applicable to City-Parish only.

### **(D) Fiscal Conditions and District Performance**

This assessment factor looks at the school system's total per pupil expenditures as a percentage of the state average total per pupil expenditures for the latest available year. It also highlights the District Performance Score for the latest available year.

**Source:** Annual Financial Reports (AFR); FY2014-2015 through FY2018-2019

**Source:** Student Information System (SIS); Elementary/Secondary student count; October 1, 2018

**Source:** District Performance Score (DPS) or School Performance Score (SPS) as applicable; 2019

### **(E) Future Obligations**

This assessment factor looks at the percentage of teachers with more than 15 years' experience. School systems with a relatively large number of teachers reaching retirement age will encounter potential costs from replacing these teachers. In addition, some school systems may have future liabilities based on medical or other benefits provided for retirees.

**Source:** Profile of Educational Personnel (PEP); October 1, 2019

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## (F) Lead School Business Administrator / Chief Financial Officer / Business Manager Certification

This assessment factor looks at the certification of the school system's chief business official. This provides evidence the school system has encouraged its chief business official to be up-to-date on best business practices. The Lead School Business Administrator/Chief Financial Officer/Business Manager is required to have either an active Louisiana CPA license or a CLSBA/CLCSBA certificate provided by the Louisiana Association of School Business Officials.

**Source:** Louisiana Association of School Business Officials; verified as of April 2020

**Source:** State Board of Certified Public Accountants; verified as of May 2020

## **Part II: Assessment of Financial Factors that Can Prompt SBESE to Request Additional Information from LEA**

### **Level 1 – Good Business Practices**

#### (G) Submittal of General Fund Budget Forms

This factor looks at the timely submittal of General Fund Budget Forms as required by law. Submission is complete when both the Form A and the detailed budget are received. This provides the Louisiana Department of Education with prior year actual general fund revenues and expenditures and budgeted revenues and expenditures for the current school year.

**Source:** FY2019-2020 General Fund Budget Forms

**Condition:**

Excellent = On Time

Good = 1 - 14 Days Late

Needs Improvement = 15 - 29 Days Late

Unacceptable = 30 or More Days Late

#### (H) Submittal of Annual Financial Report (AFR)

This factor looks at the timely submittal of a final AFR (no outstanding edit errors or unresolved issues with the MFP audit staff) by October 31. The AFR provides detailed information on the school system's financial status, including general funds, special funds, federal funds, debt service funds, and capital project funds.

**Source:** FY2018-2019 Annual Financial Report

**Condition:**

Excellent = On Time

Good = 1 - 29 Days Late

Needs Improvement = 30 - 59 Days Late

Unacceptable = 60 or More Days Late

#### (I) Assessment of Internal Controls and Compliance over General Purpose Financial Statements

This factor is the assessment of internal controls and compliance over the general purpose financial statements in the sub recipient's Single Audit Report for the prior fiscal year. Materiality is defined as "the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of the person relying on the information would have been changed by the omission or misstatement." The auditor must consider whether, in relation to the individual amounts, subtotals, or totals in the financial statements, if the finding materially misstates the financial statements taken as a whole.

**Source:** Comprehensive Annual Financial Report (CAFR); Year Ended June 30, 2019

**Condition:**

Excellent = No Weakness

Good = No Material Weakness

Needs Improvement = Material Weakness

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## (J) Consecutive Audit Findings

This factor is defined as school systems receiving the same audit findings in two or more consecutive years in the A-133 Single Audit Report.

**Source:** LDOE Bureau of Internal Audit; Internal Audit Report Issued August 15, 2019; Year Ended June 30, 2018

### **Condition:**

Excellent = None

Good = Same Finding for 2 Years

Needs Improvement = Same Finding for 3 or 4 Years

Unacceptable = Same Finding for 5 or more Years

## (K) Fraud

The determination of fraud is based on information from the school system's financial records such as its Single Audit Report, program monitoring reviews conducted by the LDOE, fiscal monitoring reviews conducted by the LDOE, and other public disclosures. See Factor (I) for definition of Materiality.

**Source:** Comprehensive Annual Financial Report (CAFR); Year Ended June 30, 2019

### **Condition:**

Excellent / Good = None

Needs Improvement = 1 Case of Non-Material Fraud

Unacceptable = 2 or more Cases of Non-Material or 1 or more Cases of Material Fraud

## Level 2 – Fiscal Management: Questioned Costs

### (L) A-133 Single Audit Report

This factor is defined as the amount of questioned ESSA funds as a result of the A-133 Single Audit for the latest available year. Condition is based on the total questioned costs as a percentage of the total amount of the ESSA funds reported by the sub recipient on the Schedule of Federal Awards for the latest available year.

**Source:** A-133 Single Audit Report; Year Ended June 30, 2019

### **Condition:**

Excellent = No Questioned Costs

Good = Between 0.1% and 4.9% of ESSA Funds

Needs Improvement = Between 5.0% and 9.9% of ESSA Funds

Unacceptable = 10% or more of ESSA Funds

### (M) Program Monitoring

This factor is defined as the amount of questioned ESSA funds as a result of sub recipient's most recent program monitoring review by the Louisiana Department of Education. Condition is based on the total questioned costs as a percentage of the total amount of the ESSA funds allocated for the latest available year. Each LEA is audited once in a three year cycle.

**Source:** LDOE Program Monitoring Review; Every Student Succeed Act (ESSA) Reimbursements

### **Condition:**

Excellent = No Questioned Costs

Good = Between 0.1% and 4.9% of ESSA Funds

Needs Improvement = Between 5.0% and 9.9% of ESSA Funds

Unacceptable = 10% or more of ESSA Funds

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## (N) Fiscal Monitoring

This factor is defined as the amount of questioned ESSA funds as a result of sub recipient's most recent fiscal monitoring review by the Louisiana Department of Education. Condition is based on the total questioned costs as a percentage of the total amount of the ESSA funds allocated for the latest available year. Each LEA is audited once in a three year cycle.

**Source:** LDOE Fiscal Monitoring Review; Every Student Succeed Act (ESSA) Reimbursements

**Condition:**

Excellent = No Questioned Costs

Good = Between 0.1% and 4.9% of ESSA Funds

Needs Improvement = Between 5.0% and 9.9% of ESSA Funds

Unacceptable = 10% or more of ESSA Funds

## Level 3 – Auditing Outcomes

### (O) General Purpose Financial Statements

This factor is defined as the type of opinion (or disclaimer of opinion) reported on general purpose financial statements in the sub recipient's Single Audit Report.

**Source:** Comprehensive Annual Financial Report (CAFR); Year Ended June 30, 2019

**Condition:**

Excellent = Unqualified Opinion

Good = Qualified Opinion

Needs Improvement = Disclaimer

Unacceptable = Adverse Opinion

### (P) Expenditures of Federal Programs

This factor is the audit opinion on the schedule of expenditures of federal programs in the Single Audit Report that could have a direct and material effect on the sub recipient's federal programs.

**Source:** Comprehensive Annual Financial Report (CAFR); Year Ended June 30, 2019

**Condition:**

Excellent = Unqualified Opinion

Good = Qualified Opinion

Needs Improvement = Disclaimer

Unacceptable = Adverse Opinion

### (Q) Compliance with Laws and Regulations on Federal Programs

This factor is the audit opinion on the sub recipient's compliance with laws, regulations, and provisions of the contracts or grant agreements in the Single Audit Report that could have a direct and material effect on the sub recipient's federal programs.

**Source:** Comprehensive Annual Financial Report (CAFR); Year Ended June 30, 2019

**Condition:**

Excellent = Unqualified Opinion

Good = Qualified Opinion

Needs Improvement = Disclaimer

Unacceptable = Adverse Opinion

# Financial Risk Assessment – Description of Factors (FY2019-20)

## Level 4 – Balanced Budgets and Fund Balances

### (R) General Fund Deficit Spending

This factor is defined as the trend in General Fund Deficit Spending over the latest five years available. General Fund Deficit Spending is KPC 51190 (Excess/Deficiency of General Fund Revenues & Other Sources Over General Fund Expenditures & Other Uses), plus KPC 50850 (General Fund Debt Service Expenditures), plus KPC 49960 (General Fund Facility Acquisition and Construction Services).

**Source:** Annual Financial Reports (AFR); FY2014-2015 through FY2018-2019

**Condition:**

Excellent / Good = None

Needs Improvement = 1 or 2 Years of Latest 3 Years

Unacceptable = 3 or more Years of Latest 5 Years

### (S) General Fund Balance as a Percentage of General Fund Revenues

This factor is defined as the General Fund Balance as a percent of General Fund Revenue (KPC 15000) for the latest available year. For the purposes of this report General Fund Balance includes Non-Spendable Fund Balance (KPC 52900), Restricted Fund Balance (KPC 53200), Committed Fund Balance (KPC 53300), Assigned Fund Balance (KPC 53400), and Unassigned Fund Balance (KPC 53500).

**Source:** Annual Financial Reports (AFR); FY2018-2019

**Condition:**

Excellent = 7.5% or more

Good = Between 6.5% and 7.4%

Needs Improvement = Between 5.0% and 6.4%

Unacceptable = Less than 5%

## Level 5 – Major Events

### (T) New School System

There is no experience with the new school system, therefore the State has an obligation to examine and monitor its financial status carefully. New school systems within the first year of operation will be monitored.

### (U) Major Event

Events such as hurricanes create circumstances, both educational and financial, that are not foreseeable; the Department of Education must immediately monitor these school systems in order to assure the school system is able to work through any financial issues.

### (V) Going Concern Opinion

A going concern opinion by an external auditor expresses doubt about the ability of the school system at risk of being able to continue operations.

## Part III: Emergency Procedures for Financially At-Risk School Systems

### (W) Next Year's General Fund Budget

This factor looks at the General Fund Balance as a percent of General Fund Revenue based on the data provided in the next fiscal year's General Fund Budget.

### (X) Emergency Action

This factor considers the receipt of information or an occurrence during the fiscal year that creates a critical situation.