

# Financial Risk Assessment - Description of Factors (FY2012-13)

## (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; Oct. 1, 2008 through Oct. 1, 2012

## (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 08/09 through 12/13

**Note:** This assessment factor is not applicable to Type 2 Charters, Type 5 Charters or the Recovery School District

## (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) for FY07/08, FY08/09, FY09/10, FY10/11 and FY11/12

Source: Student Information System (SIS); MFP Funded Count; October 1, 2011.

Source: Local Tax Effort Index; FY12/13 MFP Budget Letter which is based on FY10/11 AFR tax data (State average = 1.0)

**Note:** This assessment factor is not applicable to Type 2 Charters, Type 5 Charters or the Recovery School District.

## (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) for FY07/08, FY08/09, FY09/10, FY10/11 and FY11/12.

Source: Student Information System (SIS); Elementary/Secondary student count; October 1, 2011

Source: District Performance Score (DPS) is from 2012.

## (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, 2012

## (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 CPA license or a CLSBA certificate provided by the Louisiana Association of School Business Officials.

Source: Louisiana Association of School Business Officials; verified as of January 2013

Source: State Board of Certified Public Accountants; verified as of January 2013

### LDE Follow Up

The Louisiana Department of Education will follow up with school systems regarding Part 1: Items A - F, as needed.

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

### **Level 1 - Good Business Practices**

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

This factor looks at the timely submittal of General Fund Budget Forms by September 30th 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: FY2012/13 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

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

This factor looks at the timely submittal of a final AFR (no outstanding AFR edit errors or unresolved issues with the MFP audit staff) by October 31st. 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: FY2011/12 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: FY2011/12 Audited General Purpose Financial Statements

### Condition

*Excellent = No Weakness*

*Good = No Material Weakness*

*Needs Improvement = Material Weakness*

## (J) Consecutive Audit Findings

This factor is defined as school systems receiving the same audit findings in 2 or more consecutive years in the Single Audit Reports.

Source: Internal Audit Report issued April 17, 2013 by the LA Dept. of Education Bureau of Internal Audit; Single Audits of School Boards Significant Audit Findings for the Year Ended 6/30/11

**Note:** This assessment factor is not applicable to Type 2 Charters, Type 5 Charters or the Recovery School District

### 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 LDE, fiscal monitoring reviews conducted by the LDE, and other public disclosures. See Section (I) for definition of Materiality.

Source: FY2011/12 Single Audit Report (A-133)

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

This factor is defined as the amount of questioned NCLB 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 NCLB funds reported by the sub recipient on the Schedule of Federal Awards for the latest available year.

Source: Questioned Costs from the FY2011/12 Single Audit Report (A-133)

### Condition

*Excellent = No Questioned Costs*

*Good = Between 0.1% and 4.9% of NCLB Funds*

*Needs Improvement = Between 5.0% and 9.9% of NCLB Funds*

*Unacceptable = 10% or more of NCLB Funds*

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## (M) Program Monitoring.

This factor is defined as the amount of questioned NCLB 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 NCLB funds allocated for the latest available year. Each district is audited once in a three year cycle.

Source: Questioned Costs from the LA Department of Education Program Staff monitoring of FY2011/12 No Child Left Behind (NCLB) funds claimed for reimbursement.

### Condition

*Excellent = No Questioned Costs*

*Good = Between 0.1% and 4.9% of NCLB Funds*

*Needs Improvement = Between 5.0% and 9.9% of NCLB Funds*

*Unacceptable = 10% or more of NCLB Funds*

## (N) Fiscal Monitoring.

This factor is defined as the amount of questioned NCLB 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 NCLB funds allocated for the latest available year. Each district is audited once in a three year cycle.

Source: Questioned Costs from the LA Department of Education Audit Staff monitoring of FY2011/12 NCLB funds claimed for reimbursement

### Condition

*Excellent = No Questioned Costs*

*Good = Between 0.1% and 4.9% of NCLB Funds*

*Needs Improvement = Between 5.0% and 9.9% of NCLB Funds*

*Unacceptable = 10% or more of NCLB 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: Audit Opinion from the FY2011/12 Audited General Purpose Financial Statements

### 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: Audit Opinion from the FY2011/12 Single Audit Report (A-133)

### 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: Audit Opinion from the FY2011/12 Single Audit Report (A-133)

### Condition

*Excellent = Unqualified Opinion*

*Good = Qualified Opinion*

*Needs Improvement = Disclaimer*

*Unacceptable = Adverse Opinion*

# Financial Risk Assessment - Description of Factors (FY2012-13)

## 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 General Fund Revenues (kpc 15000) minus General Fund Expenditures. For the purposes of this report General Fund Expenditures equals Total General Fund Expenditures (kpc 50900) less General Fund Debt Service Expenditures (kpc 50850) and General Fund Facility Acquisition & Construction Services (kpc 49960).

Source: Annual Financial Reports (AFR) for FY07/08, FY08/09, FY09/10, FY10/11 and FY11/12

#### 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 (53500).

Source: Annual Financial Report (AFR) for FY11/12

#### 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 to retain its going concern status.

## 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, Form A, that is due to the Department by September 30 each year.

### (X) Emergency Action

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