

Child Nutrition Programs

Financial Management

2021

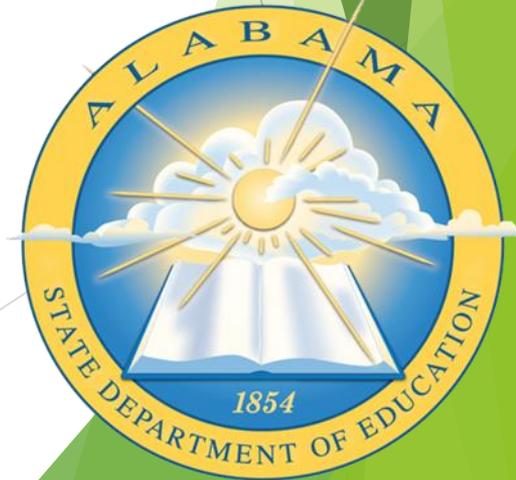
Steven Rylant

Senior Accountant

Alabama State Department of Education

Financial Management and Compliance

Child Nutrition Programs



Financial Management System

What is the purpose of a Financial Management System?

- ▶ The purpose of this system is to provide Child Nutrition Directors and Food Service Managers with a financial management tool to aid in decision making and to improve program quality and efficiency.
- ▶ It is important to remember that any improvements in efficiency should not compromise the high-quality standards for food and acceptance. Improvements in efficiency should not sacrifice the quality of the program.

STEPS TO EFFECTIVE FINANCIAL MANAGEMENT

In order to be an effective director of the Child Nutrition Program and make appropriate financial decisions, the director must learn the basics.

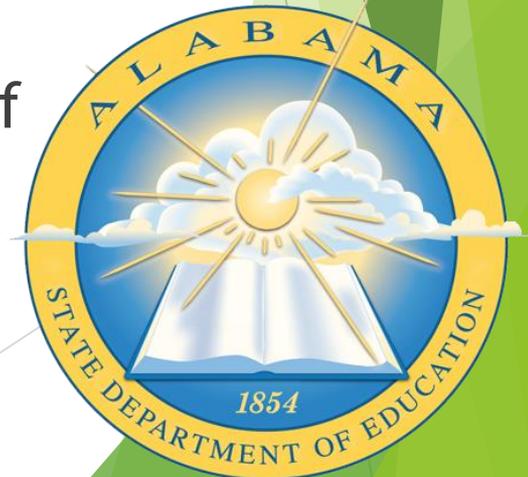


The Steps or Progression of Learning CNP Financial Management

- 1. What is the SDE Accounting System?**
- 2. How transactions are recorded?**
- 3. How the accounting reports and the printout present the financial results and position of the CNP?**
- 4. How to interpret the accounting reports?**
- 5. What are the types of revenue and expenditures of the CNP?**
- 6. How to measure the CNP's productivity and efficiency?**
- 7. How to budget and "stick" to it?**

What is the SDE Accounting System?

- ▶ The State Department of Education's (SDE) Financial Management System is a 27-digit accounting code used for all schools in Alabama.
- ▶ This system is used to identify each transaction and to provide uniformity of accounting and reporting information.



Accounting Code: Fund Type and Account Group

1. **Fund Type and Account group (2 digits)** - fund types and two account groups.

USDA programs are designated as Fund Type 12
(Special Revenue Fund)

Based on 27 Digit Coding/Component Structure
Accounting System Components

1 2 3 4 5 6 7 8 9
- - / - - / - - / - - / - - / - - / - - / - - / - - / - -
General Ledger and Special Reporting Codes

Accounting Code: Function

3. **Account Code (Function) (4 digits)** - used to designate balance sheet (assets, liabilities, and fund equity), revenue and expenditure accounts

Based on 27 Digit Coding/Component Structure
Accounting System Components

1 2 3 4 5 6 7 8 9
-- / -- / ----- / ----- / ----- / -- / ----- / -----

General Ledger and Special Reporting Codes

Accounting Code: Object

4. **Object (3 digits)** - used to classify in detail the services or commodities bought or paid for

This identifies the expenditures.

Based on 27 Digit Coding/Component
Structure Accounting System Components

1 2 3 4 5 6 7 8 9
-- / -- / -- / **---** / -- / -- / -- / --

General Ledger and Special Reporting Codes

Accounting Code: Cost Center

5. Cost Center (4 digits) - code for each Cost Center.

Each school and food service central office are given a different number to identify that site.

Based on 27 Digit Coding/Component
Structure Accounting System Components

1 2 3 4 5 6 7 8 9
-- / -- / -- / -- / **5** / -- / -- / -- / --

General Ledger and Special Reporting Codes

Accounting Codes for CNP

Cost Center	
<i>NO COST CENTER REQUIRED</i>	<i>0000</i>
NON-SCHOOL SITES (Special Population)	0001
SCHOOL SITES	0002-5000
VOCATIONAL CENTERS	6000-6999
COST CENTER POOLS	8000-8999
NON-REGULAR INSTRUCTIONAL COST CENTERS	9000-9997

Accounting 8: Fund Source

6. **Fund Source (4 digits)** - identifies the sources of the money

Funds received from USDA are coded as follows:

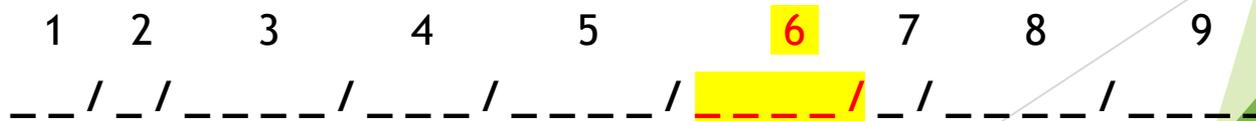
- ▶ Food and Nutrition 5100-5199
- ▶ School Lunch Section 11 5110
- ▶ School Lunch Section 4 5120
- ▶ School Breakfast 5130
- ▶ Commodities 5160

However, use 5101 as default except for 5170 for Summer Food Service Program.

May use 5199 as CACFP fund source.

Based on 27 Digit Coding/Component Structure

Accounting System Components



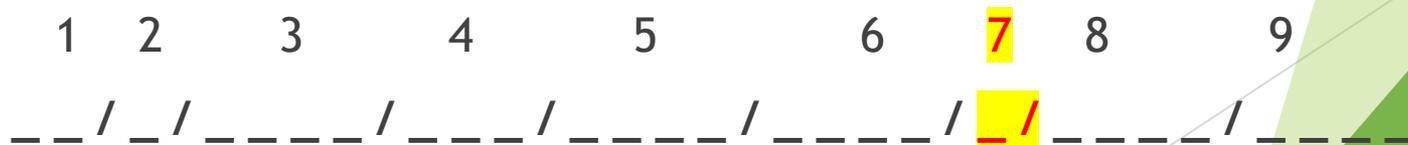
General Ledger and Special Reporting Codes

Accounting Code: Appropriation Year

- 7. Appropriation year (1 digit) -
used to route activities to specific funding years

Based on 27 Digit Coding/Component Structure

Accounting System Components



General Ledger and Special Reporting Codes

Accounting Code: Program

8. **Program (4 digits)** - code for a plan of activities and procedures designed to accomplish a pre-determined set of objectives

CNP uses 8420 only.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 5 6 7 8 9
-- / -- / --- / --- / --- / --- / -- / **---** / ---

General Ledger and Special Reporting Codes

Accounting Code 9: Special Use

9. Special Use (4 digits) – can be used to determine a greater breakdown for any of the other codes.

- ▶ **Transfers to CNP use 0034**
(State mandated raises and fringe benefits - Pass Thru)
- ▶ **Fresh Fruit and Vegetable Program use 0074**

Based on 27 Digit Coding/Component Structure
Accounting System Components

1 2 3 4 5 6 7 8 9
-- / -- / -- / -- / -- / -- / -- / -- / **9**

General Ledger and Special Reporting Codes

Sources of Financial Information



- ▶ Child Nutrition Programs (CNP) Financial Management Manual
- ▶ Local Education Accounting (LEA) Accounting Manual
- ▶ Code of Federal Regulations 7 CFR Parts 210 to 299 and 220
- ▶ 2 CFR 200 Uniform Grant Guidance (Super Circular/OMB Circulars)

Formerly:

- A-87- Cost rules for State and Local
- A-122 - Cost rules for Nonprofit
- A-102 - Administrative Rules State/Local Government
- A-133 - Audit Rules

MOST COMMON ACCOUNTING CODES FOR CNP

(not all inclusive, most commonly used)

1.	Assets
2.	Liabilities
3.	Fund Equity
4.	Revenue
5.	Expenditure



Assets (Function) Codes:

▶ CASH IN BANK	0111
▶ CHANGE CASH	0115
▶ CASH SHORT OR (OVER)	0118
▶ INVESTMENTS (Current)	0121
▶ ACCOUNTS RECEIVABLE	0131
▶ INTERFUND RECEIVABLE	0133
▶ INTERGOVERNMENTAL RECEIVABLE	0134
▶ RETURNED CHECK RECEIVABLE	0137
▶ INVENTORIES-MATERIALS & SUPPLIES	0141
▶ INVENTORIES- FOOD	0143

Liabilities (Function)Codes:

- ▶ SALARIES-FRINGES PAYABLE 0211-0249
- ▶ ACCOUNTS PAYABLE 0251
- ▶ INTERFUND PAYABLE 0261
- ▶ DEFERRED REVENUE 0271



Fund Equity (Function) Codes:

- ▶ **RESERVED FOR ENCUMBRANCES** 0341
- ▶ **RESERVED FOR INVENTORIES** 0342
- ▶ **UNRESERVED FUND BALANCE`** 0350
- ▶ **ENCUMBRANCE OFFSET** 0358
- ▶ **ADJUSTMENTS TO BEGINNING BALANCE** 0360

Revenue (Function) Codes: USDA Reimbursement Funds

▶ SCHOOL LUNCH	5110
▶ SCHOOL LUNCH PROGRAM- SECTION 4 (SAFETY NET)	5120
▶ AFTERSCHOOL SNACK	5125
▶ SCHOOL BREAKFAST	5130
▶ SEVERE NEED BREAKFAST	5135
▶ SCHOOL BREAKFAST PROGRAM- START UP GRANTS	5140
▶ USDA DONATED FOODS (COMMODITIES)	5160
▶ CNP REBATES USDA DONATED FOOD / REBATE FOR USDA FOODS (HAULING)/SAE	5161

Revenue (Function) Codes: USDA Reimbursement Funds

- ▶ SUMMER FOOD SERVICE (Sponsoring Agent) 5170
- ▶ WELLNESS-WELLNESS 5191
- ▶ FRESH FRUIT AND VEGETABLE PROGRAM 5192
- ▶ HEALTHIER US SCHOOL CHALLENGE 5193
- ▶ EQUIPMENT GRANT 5194
- ▶ MEAL PATTERN GRANT 5195
- ▶ CHILD & ADULT CARE 5199
Including all CACFP:
Headstart, Evenstart, and At-Risk Snack

Revenue (Function) Codes:

Non-USDA funding

This is for Local sources.

- ▶ **DAILY SALES-LUNCH** 6710
- ▶ **DAILY SALES-BREAKFAST** 6720
- ▶ **DAILY SALES- A LA CARTE** 6730
- ▶ **DAILY SALES-OTHER** 6740
- ▶ **SPECIAL FUNCTIONS** 6750



Revenue (Function) codes:

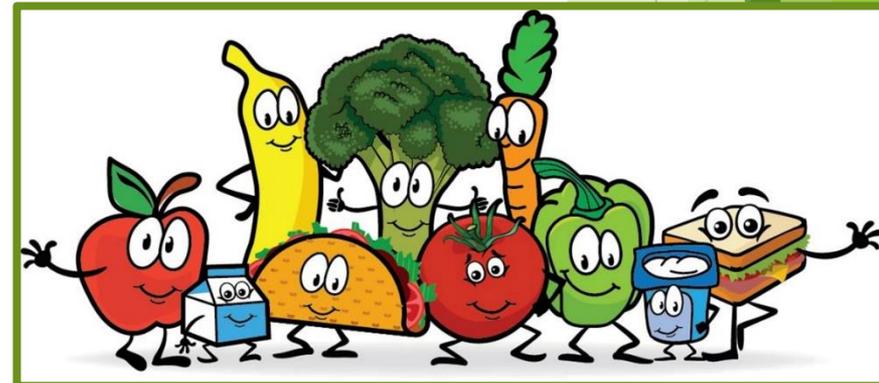
Non-USDA funding

This is for Local sources.

- ▶ SUMMER FEEDING – VENDING 6760
- ▶ OTHER FOOD SERVICE INCOME 6790
- ▶ INTEREST 6810
- ▶ OTHER LOCAL SOURCES 6990
- ▶ CNP REBATES: STATE-WIDE PROCUREMENT 8993
- ▶ FOOD DISTRIBUTION REIMBURSEMENT 8994
- ▶ OPERATING TRANSFERS IN 9210
- ▶ SALE OF FIXED ASSETS 9310

Expenditure (Function) Codes:

- ▶ **OPERATIONS & MAINTENANCE** 3100– 3900
- ▶ **FOOD SERVICE** 4210
Including:
NSLP, SBP, After School Snack, and SSO
- ▶ **SUMMER FEEDING PROGRAM** 9340
- ▶ **CACFP** 9341
Including all CACFP:
Headstart, Evenstart, and At-Risk Snack



Expenditure (Object) Codes:

- ▶ **SALARIES** 053, 113,115,141-149,172
- ▶ **SUBSTITUTES** 180
- ▶ **FRINGE BENEFITS** 210-290



Expenditure (Object) Codes:

▶ PURCHASED SERVICES	300's
▶ SUBSTITUTES	335
▶ EQUIPMENT R & M	341
▶ GARBAGE & WASTE	348
▶ TELEPHONE	361
▶ ELECTRICITY	371
▶ WATER & SEWAGE	372
▶ NATURAL GAS	373
▶ TRAVEL-LOCAL	381
▶ TRAVEL-IN-STATE	382
▶ TRAVEL-OUT-OF-STATE	383
▶ FOOD SERV. PUR.SER.	393

Expenditure (Object) Codes:

- ▶ **MATERIALS & SUPPLIES**
- ▶ **FOOD** 461
- ▶ **FOOD SERVICE SUPPLIES** 463
- ▶ **FOOD PROCESSING SUPPLIES** 464
- ▶ **OTHER FOOD SUPPLIES** 469
- ▶ **OFFICE SUPPLIES** 471
- ▶ **OTHER GENERAL SUPPLIES** 479



Expenditure (Object) Codes:

- ▶ **NON-CAPITALIZED EQUIPMENT (Less than \$5000)**
 - ▶ **FURNITURE & FIXTURES 492**
 - ▶ **NON-INSTRUCTIONAL EQUIP. 493**
 - ▶ **COMPUTER HARDWARE 495**
 - ▶ **OTHER EQUIPMENT 499**

Expenditure (Object) Codes:

- ▶ CAPITAL OUTLAY-EQUIPMENT (\$5,000 and >)
- ▶ FURNITURE & FIXTURES 541
- ▶ COMPUTER HARDWARE 545
- ▶ OTHER EQUIPMENT 589



Expenditure (Object) Codes:

- ▶ OTHER OBJECTS 699
- ▶ OTHER FUND USES
- ▶ Indirect Costs 910



How the accounting reports and printout present the financial results and position of the CNP?

▶ Evaluating and monitoring the school foodservice operation should be an ongoing process. Two financial statements that can be used to help school foodservice administrators analyze the effectiveness of their programs are:

- ▶ The Journal Summary Operations Report
- ▶ The Journal Summary Balance Sheet

JOURNAL SUMMARY OPERATIONS REPORT

(STATEMENT OF REVENUES AND EXPENDITURES)

- ▶ The Statement of Revenue and Expenditures reflects the financial results of the operation for a given period of time. It reports revenues and expenditures with net results of current operations for the accounting period.
- ▶ The Statement of Revenue and Expenditures provides three major elements of financial information. They are:
 - The total revenue available to the program by source,
 - Total expenditures by category, and
 - Net excess / deficit to the program for the period of the statement.

JOURNAL SUMMARY OPERATIONS REPORT

- ▶ Fund Source Financial Statement - LEA Accounting Report
- ▶ This report is available on the LEA state agency “AIM” portal.
 - ▶ The report provides the following data:
 - ▶ Revenues and Expenditures by fund source
 - ▶ Approved Budget Amounts by function and object code
 - ▶ Account Balance (Amounts received and used) by function and object code
 - ▶ Variance (Difference between Budget and Actual) by function and object code

LEA Financial System: Revenues and Expenditures by Funding Source

SQL Server Reporting Services

Home > LEA Accounting > Financial Statement Reports > Fund Source Financial

STATE OF ALABAMA
DEPARTMENT OF EDUCATION
LEA Financial System
Revenues and Expenditures for Funding Source
5101 - Food & Nutrition Fund Source-Default
Fiscal Year 2020, Fiscal Period 12

	Approved Budget - Fiscal Period 05	Account Balance	Variance
Appropriation Year 0			
Revenues			
5110 USDA-School Lunch Program-Section 11	\$2,025,000.00	\$1,162,350.42	\$862,649.58
5125 USDA-After School Snack Program	\$8,500.00	\$7,146.50	\$1,353.50
5135 USDA-Severe Need Breakfast Program	\$683,000.00	\$407,162.52	\$275,837.48
5160 USDA-Food Donation Program	\$317,000.00	\$338,582.70	(\$21,582.70)
5161 USDA Donated Foods Rebates / SAE	\$15,200.00	\$13,277.90	\$1,922.10
6710 Daily Sales - Lunch	\$764,000.00	\$449,305.30	\$314,694.70
6720 Daily Sales - Breakfast	\$97,900.00	\$63,068.45	\$34,831.55
6730 Daily Sales - A la carte	\$595,500.00	\$311,986.45	\$283,513.55
6740 Daily Sales - Other	\$2,500.00	\$20.00	\$2,480.00
6750 Special Functions	\$0.00	\$30.45	(\$30.45)
6790 Other Food Service Income	\$2,600.00	\$1,079.40	\$1,520.60
6810 Interest	\$0.00	\$310.62	(\$310.62)
6980 Sale of Scrap Materials	\$0.00	\$139.80	(\$139.80)
6990 Other Local Sources	\$60,000.00	\$38,198.33	\$21,801.67
8990 Other Miscellaneous Revenues	\$0.00	\$766.60	(\$766.60)
8993 CNP Rebates	\$115,000.00	\$132,672.19	(\$17,672.19)
9210 Operating Transfers In	\$1,941,377.10	\$1,741,377.10	\$200,000.00
Total Revenues	\$6,627,577.10	\$4,667,474.73	\$1,960,102.37

LEA Financial System: Revenues and Expenditures by Funding Source

SQL Server Reporting Services

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	\$1,341,577.10	\$1,741,577.10	\$200,000.00
Total Revenues	\$6,627,577.10	\$4,667,474.73	\$1,960,102.37
Expenditures			
8420-8429: Auxiliary Service - Food Services			
3200 Building Services			
199 Other Compensation	\$0.00	\$10,553.08	(\$10,553.08)
220 State Retirement	\$0.00	\$427.65	(\$427.65)
230 Social Security	\$0.00	\$642.51	(\$642.51)
240 Federal Medicare	\$0.00	\$150.26	(\$150.26)
250 State Unemployment Compensation Insurance	\$0.00	\$5.28	(\$5.28)
Total 3200 Building Services	\$0.00	\$11,778.78	(\$11,778.78)
3400 Equipment Services			
157 Equipment Repair	\$50,043.00	\$50,815.26	(\$772.26)
191 Supplements	\$0.00	\$1,500.00	(\$1,500.00)
194 Overtime	\$0.00	\$3,829.17	(\$3,829.17)
199 Other Compensation	\$0.00	\$1,749.14	(\$1,749.14)
210 State Insurance	\$9,600.00	\$9,600.00	\$0.00
220 State Retirement	\$6,220.33	\$7,121.11	(\$900.78)
230 Social Security	\$2,855.67	\$3,633.93	(\$778.26)
240 Federal Medicare	\$667.84	\$849.86	(\$182.02)
250 State Unemployment Compensation Insurance	\$25.00	\$28.94	(\$3.94)
Total 3400 Equipment Services	\$69,411.84	\$79,127.41	(\$9,715.57)

LEA Financial System: Revenues and Expenditures by Funding Source

SQL Server Reporting Services

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250 State Unemployment Compensation Insurance	\$25.00	\$28.94	(\$3.94)
Total 3400 Equipment Services	\$69,411.84	\$79,127.41	(\$9,715.57)
4210 Child Nutrition			
111 Coordinator/Asst. Coordinator	\$78,594.00	\$78,977.76	(\$383.76)
115 Manager/Asst. Manager	\$375,844.00	\$377,737.44	(\$1,893.44)
133 Bookkeeper	\$36,999.00	\$37,331.41	(\$332.41)
141 Secretary	\$19,706.00	\$19,730.42	(\$24.42)
172 Cook/Baker	\$1,261,229.00	\$1,246,260.51	\$14,968.49
180 Substitutes	\$71,000.00	\$31,835.86	\$39,164.14
194 Overtime	\$16,500.00	\$25,810.50	(\$9,310.50)
199 Other Compensation	\$0.00	\$34,821.79	(\$34,821.79)
210 State Insurance	\$806,400.00	\$806,425.81	(\$25.81)
220 State Retirement	\$212,209.87	\$217,252.17	(\$5,042.30)
230 Social Security	\$99,869.73	\$104,281.70	(\$4,411.97)
240 Federal Medicare	\$23,356.65	\$24,388.47	(\$1,031.82)
250 State Unemployment Compensation Insurance	\$886.17	\$925.96	(\$39.79)
333 Software Maintenance Agreements	\$26,400.00	\$13,732.50	\$12,667.50
341 Equipment/Vehicle Repair and Maintenance	\$12,000.00	\$338.50	\$11,661.50
342 Equipment Maintenance Agreements	\$27,500.00	\$11,306.12	\$16,193.88
345 Rental-Equipment	\$1,200.00	\$1,343.78	(\$143.78)
346 Rental-Land and Building	\$2,400.00	\$2,003.92	\$396.08
348 Garbage and Waste	\$5,000.00	\$7,117.02	(\$2,117.02)
349 Other Property Services	\$37,100.00	\$15,700.00	\$21,400.00
361 Telephone	\$2,520.00	\$2,867.39	(\$347.39)
364 Postage	\$3,600.00	\$2,778.10	\$821.90
381 Local In-District	\$14,900.00	\$6,819.24	\$8,080.76
389 Other Travel and Training	\$24,000.00	\$8,133.34	\$15,866.66
394 Printing and Binding	\$4,800.00	\$0.00	\$4,800.00
396 Freight and Shipping	\$6,000.00	\$66.80	\$5,933.20
399 Other Purchased Services	\$103,000.00	\$26,249.22	\$76,750.78
412 Staff Training Supplies	\$5,040.00	\$0.00	\$5,040.00
442 Maintenance Supplies	\$132,000.00	\$69,910.15	\$62,089.85
451 Fuel-Gasoline	\$9,600.00	\$3,057.03	\$6,542.97

LEA Financial System: Revenues and Expenditures by Funding Source

SQL Server Reporting Services

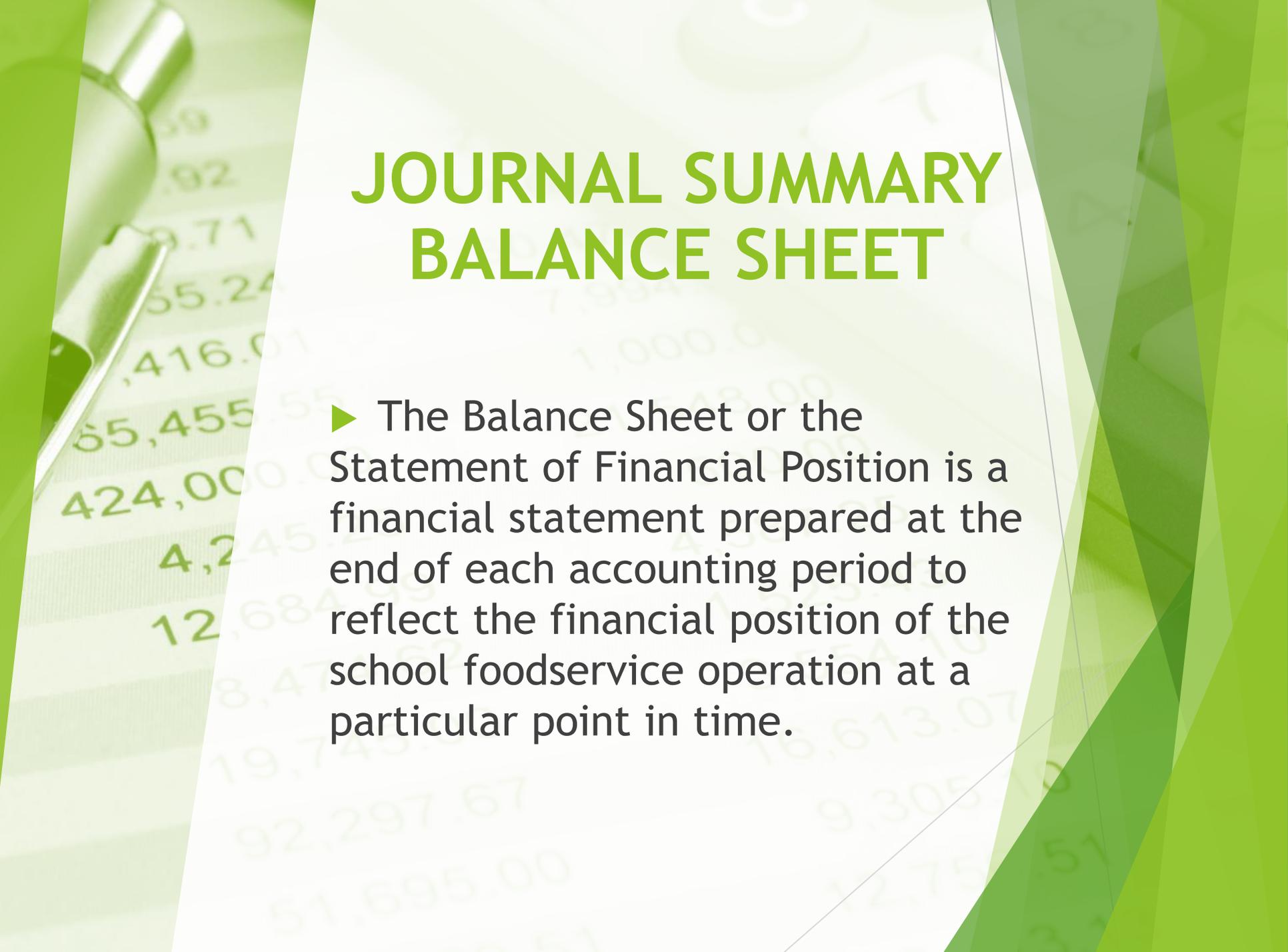
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Home > LEA Accounting > Financial Statement Reports > Fund Source Financial

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349 Other Property Services	\$37,100.00	\$15,700.00	\$21,400.00
361 Telephone	\$2,520.00	\$2,867.39	(\$347.39)
364 Postage	\$3,600.00	\$2,778.10	\$821.90
381 Local In-District	\$14,900.00	\$6,819.24	\$8,080.76
389 Other Travel and Training	\$24,000.00	\$8,133.34	\$15,866.66
394 Printing and Binding	\$4,800.00	\$0.00	\$4,800.00
396 Freight and Shipping	\$6,000.00	\$66.80	\$5,933.20
399 Other Purchased Services	\$103,000.00	\$26,249.22	\$76,750.78
412 Staff Training Supplies	\$5,040.00	\$0.00	\$5,040.00
442 Maintenance Supplies	\$132,000.00	\$69,910.15	\$62,089.85
451 Fuel-Gasoline	\$9,600.00	\$3,057.03	\$6,542.97
454 Oil and Lubricants	\$360.00	\$167.41	\$192.59
455 Tires	\$1,800.00	\$373.40	\$1,426.60
456 Vehicle Parts	\$1,200.00	\$168.65	\$1,031.35
459 Other Vehicle Supplies	\$300.00	\$45.61	\$254.39
461 Purchased Food	\$2,140,000.00	\$1,210,930.99	\$929,069.01
463 Food Service Supplies	\$109,000.00	\$44,737.75	\$64,262.25
464 Food Processing Supplies	\$149,000.00	\$77,977.22	\$71,022.78
471 Office Supplies	\$42,000.00	\$5,623.27	\$36,376.73
489 Other Non-instructional Supplies	\$18,000.00	\$3,025.03	\$14,974.97
492 Furniture and Fixtures	\$59,880.00	\$406.45	\$59,473.55
493 Non-instructional Equipment	\$59,880.00	\$50,536.08	\$9,343.92
495 Computer Hardware	\$36,000.00	\$4,843.48	\$31,156.52
589 Other Equipment	\$0.00	\$26,282.29	(\$26,282.29)
623 Registration Fees	\$4,800.00	\$699.00	\$4,101.00
629 Other Dues and Fees	\$7,200.00	\$1,272.00	\$5,928.00
699 Other Objects	\$0.00	\$292.90	(\$292.90)
910 Indirect Cost	\$475,622.19	\$419,796.90	\$55,825.29
Total 4210 Child Nutrition	\$6,524,696.61	\$5,024,381.34	\$1,500,315.27
Total for 8420-8429: Auxilliary Service - Food Services	\$6,594,108.45	\$5,115,287.53	\$1,478,820.92
Total Expenditures	\$6,594,108.45	\$5,115,287.53	\$1,478,820.92
Net Appropriation Year 0	\$33,468.65	(\$447,812.80)	\$481,281.45

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The background features a green-tinted image of a calculator on the left and a document with various financial numbers on the right. The numbers are faint and include values like 59, 92, 71, 55.24, 416.01, 55,455.55, 424,000.00, 4,245, 12,684, 8,47, 19,745, 92,297.67, 51,695.00, 1,000.00, 16,613.07, 9,305, and 12,75.

JOURNAL SUMMARY BALANCE SHEET

- ▶ The Balance Sheet or the Statement of Financial Position is a financial statement prepared at the end of each accounting period to reflect the financial position of the school foodservice operation at a particular point in time.

JOURNAL SUMMARY BALANCE SHEET

- ▶ The Balance Sheet or the Statement of Financial Position is a financial statement prepared at the end of each accounting period to reflect the financial position of the school foodservice operation at a particular point in time.
- ▶ The Balance Sheet includes information about the program's **assets, liabilities, and fund equity.**



JOURNAL SUMMARY BALANCE SHEET

Balance Sheet by Fund Source

- ▶ Report that provides Assets, Liabilities, and Fund Equity
- ▶ The report allows systems to see the fund balance by fund source
- ▶ This report is available on the LEA state agency “AIM” portal.



Fund Balance Sheet

SQL Server Reporting Services

Home > LEA Accounting > Financial Statement Reports > C-I

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**STATE OF ALABAMA
DEPARTMENT OF EDUCATION
LEA Financial System
Combining Balance Sheet --- Governmental - Special Revenue Fund Type
by Fund Source
For Fiscal Year Ended September 30, 2020**

Exhibit C-I-12

Fund Types Descriptions/Fund Source	5101-0
ASSETS AND OTHER DEBITS:	
Cash	
111-Cash in Bank (Operating Account)	\$522,859.26
Total Cash	\$522,859.26
Investments	
121-Investments (Current)	\$388,292.83
Total Investments	\$388,292.83
Receivables	
134-Intergovernmental Receivable	\$300.48
Total Receivables	\$300.48
TOTAL ASSETS AND OTHER DEBITS:	\$911,452.57
LIABILITIES:	
Other Liabilities	
271-Deferred Revenue	\$4,959.51
Total Other Liabilities	\$4,959.51
TOTAL LIABILITIES:	\$4,959.51
FUND EQUITY:	
Fund Equity	
350-Unreserved Fund Balance	\$1,354,305.86
Total Fund Equity	\$1,354,305.86
TOTAL FUND EQUITY:	\$1,354,305.86
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FUND USES:	(\$447,812.80)
TOTAL EXCESS, LIABILITIES, AND FUND EQUITY:	\$911,452.57

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Financial Analysis



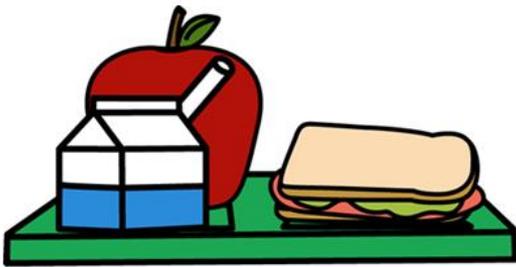
- ▶ Review printouts for accuracy and unallowable costs
- ▶ Calculate fund balance
- ▶ Calculate meals per labor hour (MPLH)
- ▶ Calculate price per meal cost
- ▶ Calculate indirect cost and pass thru
 - ▶ Compare to amount recorded to actual calculations

Financial Analysis of CNP

- ▶ Net Results = Revenues minus Expenditures
- ▶ Percentage of Expenditures to Revenues
- ▶ Meals per Labor Hour (Recommend 16-19 MPLH)
- ▶ Per Meal Costs
 - ▶ Food Costs
 - ▶ Labor Costs
 - ▶ Total Costs
- ▶ Financial Profile

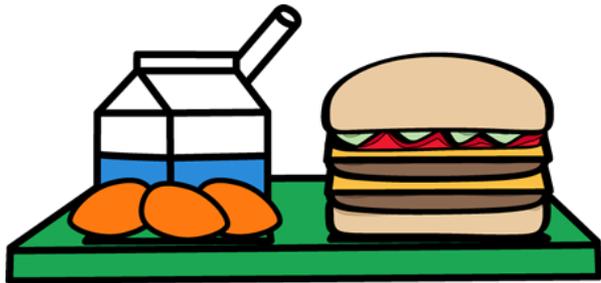


Increase Revenues



- ▶ Meal Prices
 - ▶ Consider increasing meal prices-PLE
- ▶ Increase Participation
 - ▶ Activities to promote child nutrition programs
 - ▶ Survey students
 - ▶ Improve dining areas
 - ▶ Ensure CNP employee training is completed
- ▶ Expand Meal Service Operations, options, menus, a la carte, etc.
 - ▶ Provide nutritional items that students will purchase
 - ▶ Improve the serving lines and dining atmosphere

Decrease Expenditures



- ▶ Labor if MPLH (16-19 meals per labor hour) are not met
 - ▶ Reallocate, Not Rehire, and Release Labor
- ▶ Food
 - ▶ Use less prepared foods - (if low MPLH)
 - ▶ Implement proper procurement and inventory safeguards
- ▶ Equipment
 - ▶ Maintain for extended use and longer life by developing a maintenance program for all schools
 - ▶ Monitor temperatures daily. Purchase refrigeration alarm system to alert when the freezer compressor or condensing unit fails

CNP Financial Management

- ▶ Budget FY 2021
- ▶ Financial Reporting
- ▶ Policies
- ▶ Financial Management



Budget FY 2021

- ▶ Planning Ahead
 - ▶ Have last year's financial data available
 - ▶ Anticipate changes in enrollment
 - ▶ Equipment inventory
 - ▶ Labor changes

Advantages of a Budget

- ▶ Written Plan
- ▶ Identifies Revenues and Expenditures
- ▶ Communicates Goals to Others
- ▶ Helps Foresee Problems
- ▶ Controls Spending
- ▶ Standard for Evaluation



Managing a Budget



- ▶ Using Budgets as a Cost Control
 - ▶ Annually, Quarterly, Monthly, and Weekly
 - ▶ Compare Actual to Budget
 - ▶ Adjust Budget as Needed

Managing a Budget

- ▶ Using Budgets as a Performance Standard
 - ▶ Set Realistic, Reachable Goals
 - ▶ Compare to Past Performance
 - ▶ Last year's revenues and expenditures
 - ▶ Changes in enrollment
 - ▶ Food Costs
 - ▶ Labor Costs



Preparing a Budget

- ▶ Proper Coding for Anticipated Transactions
 - ▶ (Apples to Oranges?)
 - ▶ National School Lunch Program (NSLP), School Breakfast Program (SBP), Afterschool Snack Program, and Seamless Summer Option (SSO)
 - ▶ Summer Food Service Program (SFSP)
 - ▶ Child and Adult Care Food Program (CACFP)
- ▶ Timeliness of Posting Transactions
- ▶ Look for Additional Revenue
- ▶ Look for Costs Cuts

Why are these Child Nutrition Programs Different



- ▶ Most federal programs report program costs for reimbursement
- ▶ CNP does not bill awarding agencies (USDA) for reimbursement of allowable costs
- ▶ CNP reimbursement is determined solely by the meal-times-rate funding formula

Key Issues

- ▶ Are all reimbursements and other revenues for CNP used only for the operation and improvement of the non-profit food service?
- ▶ Does the school food service operate on a non-profit basis?
- ▶ Are assets of school food service safeguarded?

Working Together

Team up for Excellence

- ▶ Superintendent
- ▶ CSFO
- ▶ CNP Director



Working Together

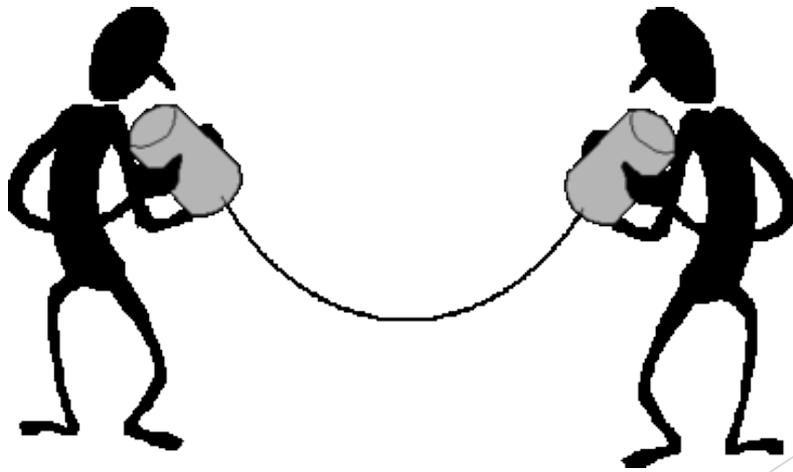
- ▶ Communicate (not just through emails and memos)
- ▶ Understanding each other
- ▶ Develop a trust
- ▶ Determine Assets (human and equipment)
 - ▶ Meals per labor hour may be tricky
- ▶ Find out knowledge of financial management (director and staff)
- ▶ Be transparent with financial reports
- ▶ Provide monthly financial reports by cost center to CNP Director

Working Together

Communicate!

If a new school is being planned . . .

- ▶ Will food service be funded through bond funds or is CNP to fund equipment?
- ▶ Always include CNP in the planning stages with the architect and equipment design consultant.



Working Together

- ▶ Monitor and evaluate the CNP Fund Balance
 - ▶ CNP balance shall be positive.
 - ▶ Negative cost centers must remain as such to evaluate operation efficiency.
 - ▶ Provide monthly trial balance to CNP Director per cost center.
 - ▶ Determine if meal prices should increase for students and adults.

Positive fund balance can assist with avoiding increases.

**Paid Lunch Equity tool is required to be submitted for state approval annually.

Working Together

- ▶ If pass thru is withheld, what will it do to CNP?

Reminder - CNP expenditures

- ▶ emergency expenditures
- ▶ preventative maintenance
- ▶ summer expenditures (salaries and fringe benefits and other bills)
- ▶ large and small equipment replacement during the summer
- ▶ start-up expenditures

- ▶ Revenue is limited during June-August.
- ▶ Reimbursements restart in August with payment most likely due in October or November to state finance (fiscal year closeout).

Working Together

- ▶ **Assist with development of a CNP five (5) year equipment replacement plan.**
 - ▶ Food service equipment and serving lines are expensive.
 - ▶ Life of equipment is 8-10 years maximum.
- ▶ **Remember that emergencies do happen.**
 - ▶ Compressors and condensing units do wear out often resulting in major food loss.
 - ▶ Hot water heaters, etc.

Working Together

- ▶ Develop and implement SFA's procurement plan and update as needed based on 2 CFR 200
- ▶ Assist with procurement implementation according to federal, state and local procurement guidelines
- ▶ Be aware of ethics law and conflict of interest



Goals for CNP Financial Management

- ▶ Consistent Coding for all Systems
- ▶ Correct Coding
- ▶ Correct Measurement
- ▶ Appropriate Analysis
- ▶ Effective Decision-Making Process for Financial Management
- ▶ Procurement Rules

CNP
Financial
Management

Accounting Codes for CNP

- ▶ All CNP transactions **MUST** be posted to a Cost Center.
- ▶ *All Central Office expenditures should be allocated and posted to each school. Do not maintain a CNP Central Office Cost Center permanently.*

Required Transfers, Indirect Costs, Interest Income, Rebates and all CNP “Central Office” expenditures should be distributed preferably on a monthly basis but if not distributed monthly, quarterly basis at a minimum is allowed. This will allow monitoring of financial status of CNP at school and district in the most effective manner.

- ▶ A la Carte and contracts must be posted separately from daily sales lunch and breakfast.
 - ▶ A la carte consists of all items, including adult meals, that are priced and sold separate from the reimbursable meals.
 - ▶ Contracts for Pre-K and Head Start must be posted separately also.

Equipment

Equipment costing \$5,000 or more:

- ▶ Must be submitted on the Equipment Request Form and approved by the CNP Program Coordinator preferably before it is purchased
- ▶ Must follow the requirement for Fixed Assets Inventory Records to include equipment name, model number, serial number and date of purchase.
- ▶ Must be recorded as capitalized.
- ▶ Must not be included in indirect cost calculations.

Required Transfers for CNP

▶ Pass-Thru Transfers

- ▶ Use worksheet provided each year with Budget Instructions.
- ▶ Prepare a worksheet using payroll data for the current year.
- ▶ Keep worksheet and documentation and bring forward every year.
- ▶ Document how information was obtained for formula.
- ▶ Used for CNP to complete annual labor costs for Financial Profile.
- ▶ Special request to withhold must be signed annually.
- ▶ Must include contract employees and permanent substitutes.

Required Transfers for CNP

▶ Pass-Thru Transfers

- ▶ Transfer of state-mandated raise amount + actual fringes each month
 - ▶ Fringes are calculated on the current worksheet which is available on CNP website.
 - ▶ If BOE has permanent reduction of positions (not individuals)
 - ▶ Make a percentage adjustment to recognize that the positions are no longer funded
- ▶ Pass-Thru can only be withheld.
 - ▶ Approval must be requested.
 - ▶ Cannot withhold more pass-thru than calculated.

Required Transfers for CNP

▶ Indirect Costs

- ▶ Use Approved Indirect Cost Rate as a Maximum for LEA
- ▶ Calculate Indirect Costs
 - ▶ Indirect Costs = Total Direct Costs-Excluded Costs* x Rate
 - ▶ *Excluded Costs
 - ▶ Purchased Foods
 - ▶ Food Processing Supplies
 - ▶ Equipment (\$5000 or more)
 - ▶ Capital Outlay Transfer at least quarterly

Addressed in Memo dated 8/23/01

Required Transfers for CNP

- ▶ Nonprogram Food Revenue
 - ▶ USDA Nonprogram Food Revenue Tool
 - ▶ Annual evaluation of nonprogram food revenue and cost
 - ▶ Revenue percentage must be greater or equal to cost percentage
 - ▶ If not, additional funds should be transferred to the CNP fund

$$\frac{\text{Total Nonprogram Food Revenue}}{\text{Total Program Food Revenue}}$$

$$\geq$$

$$\frac{\text{Total Nonprogram Food Cost}}{\text{Total Program Food Cost}}$$

Allowable Costs

- ▶ Consistent with other programs and policies
- ▶ Consistent treatment - may not be recorded to CNP as direct cost if any other like cost has been considered an IDC to CNP or any other program or fund

Allowable Costs



- ▶ USDA Rule for making determination

- ▶ Is the expenditure request
 - ▶ Allowable ?
 - ▶ Allocable ?
 - ▶ Necessary ?

Allowable Costs

- ▶ **Food Service Costs**
 - ▶ Food Processing Supplies and Regular Supplies (vendor invoices separation)
 - ▶ Disposal and used up during service
- ▶ **Improvement of Facilities**
 - ▶ Request permission.
 - ▶ Follow procedures to avoid disallowed costs.
 - ▶ Improvement can be relocated if building is no longer used.
 - ▶ **Construction that adds square footage is not allowable**

Unallowable Costs

- ▶ Worthless checks and uncollected charges
- ▶ Fines and penalties
- ▶ Unapproved and unallowable capital expenditures
- ▶ Entertainment
- ▶ Individual memberships or non-school nutrition memberships
 - ▶ District owned membership for all CNP employees to the School Nutrition Association is an allowable expenditure

Other Issues - Costs

- ▶ **Salaries** - Time sheets are required if CNP employee is tasked to two different departments or is a part-time employee for CNP.
 - ▶ i.e., CSFO also serves as CNP Director; Maintenance or IT staff not dedicated to CNP must complete time sheet to document CNP activities.
- ▶ **Direct Expenditure** - Identified specifically with CNP
 - ▶ Program equipment and repair and maintenance for program equipment are direct expenditures.
 - ▶ Supplements for employee certification (not CNP Director)
- ▶ **CNP Revenue** - Restricted for use in CNP Food Service operation only
- ▶ **Use of District Credit Card** - CNP required to receive their fair share of rebates and discounts, if applicable.

Other Sales

- ▶ Foods which do not meet **USDA Smart Snack** in Schools Standard
 - ▶ Cannot be sold during school meal hours
 - ▶ Exception request required to be submitted July 1 and January 1 to principal
- ▶ **Alabama Implementation of USDA Smart Snacks in School and Fundraising Activities Nutrition Implementation Guidelines School Settings (Cafeteria and Vending Machines, March 27, 2015)**
- ▶ **Competitive Foods**
 - ▶ Can only be sold by CNP during meal service times
 - ▶ Must meet USDA minimum nutritional guidelines

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Persons with disabilities who require alternative means of communication for program information

(e.g. Braille, large print, audiotape, American Sign Language, etc.), should contact the Agency (State or local) where they applied for benefits. Individuals who are deaf, hard of hearing or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, (AD-3027) found online at: How to File a Complaint, and at any USDA office, or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410;

(3) email: program.intake@usda.gov.

(2) fax: (202) 690-7442; or

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Questions



Steven Rylant

Senior Accountant

Alabama State Department of Education

Financial Management and Compliance

Child Nutrition Programs