



Financial Requirements and Resource Management

Idaho School Nutrition Reference Guide

OVERVIEW

Child Nutrition Programs (CNP) accounts are required to comply with generally accepted accounting standards, including the annual budgeting process. There are certain provisions of the Child Nutrition Programs that differ from other funds, programs, and accounts. This section includes the following requirements:

- CNP Finance
- State Match
- Use of Funds
- Three Month Operating Balance
- Indirect Costs
- Meal Pricing – adult and a la carte (guidance In MyIdahoCNP)

TERMS TO KNOW

A la carte – Food items that are priced and sold separately from a reimbursable meal.

Adult meal pricing – The price charged to adults who purchase a meal at a site participating in the National School Lunch Program and the School Breakfast Program.

Adult visitors -The charge to adult visitors, at the discretion of the sponsor, may be higher than the charge paid by adult employees.

Charge for reduced-price meals - Reduced meal prices cannot exceed 40 cents for lunch, 30 cents for breakfast, or 15 cents for snacks.

Children visitors – Non-enrolled customers who are charged the same price as adult visitors to cover the cost of the meal, United States Department of Agriculture (USDA) foods, and sales tax.

Fees for lunch services - Children enrolled in school must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

Food service employees - Meals provided to cafeteria employees directly involved in the operation and administration of the breakfast and lunch program (managers, cooks, servers, etc.) may be served at no charge. Charging food service employees for meals is left to the discretion of the sponsor.

Full priced meals – The maximum amount that enrolled children pay for their meals. The charge for a full price meal may be more in high schools than in grade schools. Schools may offer enrolled students a choice of reimbursable lunches. One lunch line may be more expensive because of the cost of producing special meal items; however, reduced and free children may choose this line at no added cost.

Indirect costs – Costs that cannot be directly allocated because the amount is prorated across several programs (e.g., cost of utilities being charged to a school). Allowable indirect costs are based on total expenses for the current year minus food and milk, capital outlay, and prior indirect cost paid on a previous year. This is calculated by the Idaho Department of Education, Finance Department, and an approved Indirect Cost Rate is given to a school food authority (SFA). This rate must be requested annually.

Meals for all – Enrolled free and reduced price recipients must be able to choose any meal offered with no additional charge.

Non-program foods – All food and beverages sold through food service that are not part of a reimbursable meal. Non-program foods include a la carte items (e.g., milk, entrée items, chips, etc.), adult meals, vending items, and catering.

Other sponsor employees - If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the sponsor must provide enough money from non-school food service funds to the food service fund to pay the cost of these adult meals.

Reimbursement rates – The amount of funding paid by the USDA per meal type; rates are updated and published on the Federal Register each year.

Student meal pricing - Program regulations require that each lunch and breakfast be priced as a unit. In addition, regulations state that the Offer versus Serve provision is not to affect the selling price for a lunch or breakfast established by the district. Regardless of which items a student chooses, he/she must pay the established full or reduced price meal charge, as appropriate. Students eligible for free meals pay nothing.

Three month operating balances - The amount equal to the total net cash resources minus annual expenditure equals net fund balance; should not be greater than the amount needed to operate for three months.

WHAT ARE FINANCIAL REQUIREMENTS AND RESOURCE MANAGEMENT?

CNP account funds may not be used for expenditures that are not directly related to the CNP operation, although they may be part of the district's general fund. Any positive balance remaining in the CNP account at the end of the school year must be carried over to the next

school year as a beginning balance in the CNP account. All charges to the non-profit food service account must be charged in an allowable manner. Costs must be necessary, reasonable, allocable, and consistently treated as direct or indirect.

Federally funded Child Nutrition Programs must comply with federal procurement standards found in 2 CFR Part 200, as well as any additional applicable state and local procurement regulations (which may be more restrictive than federal standards). *School districts are to follow whichever regulations are the most restrictive.*

State Match

“Federal law requires the State of Idaho to make these payments in order to continue to participate in the National School Lunch Program. These monies are provided to participating school districts exclusively for use in Child Nutrition (CN) operations and must be deposited in their CN accounts.”; must be the FICA costs for their food services workers. Foundation Payments 88 accounting system needs to show either these costs were moved to the general fund or costs were paid directly out of the general fund. Public School Finance should be able to see those actual expenditures in general fund or the transfer of the original expenditures to general fund on their financials.

USDA Regulation – two ways this can be accomplished (State match at the sub-recipient level)

1. Benefits are paid directly from the General Fund.
 - a. Fund 100 (General Fund), Expenditure Program Code 710 (Child Nutrition Program), Object Code 200 (Benefits).
2. Benefits are paid from the Child Nutrition Fund, with matching monies transferred in from the General Fund.
 - a. Fund 290 (Child Nutrition), Revenue Code 460000 (Transfers In)
 - b. Fund 100 (General Fund), Expenditure Code 920 (Transfers Out)

Use of Funds

The food service program must be “nonprofit”. *Revenues received by the school food service are to be used only for the operation or improvement of the food service program.* Revenues cannot be used to purchase land or buildings or to construct buildings. *Costs must be necessary, reasonable, allocable, and consistently treated as direct or indirect.*

Expense

Allowable expenses:

- Food service staff salary and benefits
- Food service staff training
- Freight charges for USDA Foods
- Supplies and materials for consumption
- Supplies and materials for sale or rental
- Utilities and communications (directly billed, such as a separate meter)
- Food service management fees

- Furniture and equipment
- Computer hardware and software
- Vehicles/transportation equipment

Unallowable expenses per Federal Regulation:

- Land
- Buildings
- Construction
- Direct costs that are already billed through the indirect costs
- Indirect on items that are billed directly
- Cost of promotional items/memorabilia, (e.g. gifts & souvenirs)

Revenue

Revenues include, but are not limited to:

- Reduced or paid student and adult meals
- Any revenue from a la carte or snack bar sales, if funded by food service
- Earnings on investments when food service has cash in the bank
- Other local revenues (e.g., catering)
- Federal and State reimbursement received by or accruing to the CNP account

Financial Report

During the renewal process each year, the Food Service Director is required to ensure that the Financial Report form in MyIdahoCNP under Applications is completed using the district audit. The Financial Report provides documentation of revenue and expenditure and calculates the three month operating balance.

Three Month Operating Balance

The three month operating balance is the amount found by subtracting Annual Expenditure from Total Net Cash Resources. If the three month operating balance is exceeded, then a Plan for Reducing Excessive Operating Balance is submitted to the State agency (SA).

Indirect Costs

Indirect costs are costs that cannot be directly allocated because the amount is spread across several programs (e.g., cost of a school site's utilities, such as water or electricity). SFA must follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. Each year the SFA's business office submits an Indirect Cost Rate Proposal to the Idaho Department of Education, Finance Department, to receive approval to charge an Indirect Cost Rate. Only this approved indirect cost rate can be charged to food service. Indirect cost should cover:

- School resource officer services
- Technology support services
- Printing and copying services
- Public utility and energy services

- Custodial/housekeeping services
- Warehouse and delivery services
- Maintenance services
- Financial services
- Human resource services
- Planning, research development, and program evaluation
- Legal services
- Audit services
- Leadership services

Employee Hours

Time spent working in CNP cannot be estimated; hours worked in CNP must be noted on time sheets for actual time worked. Please refer to the documentation standards located in the USDA Indirect Cost Guidance Manual.

Paid Lunch Equity Tool (PLE Tool)

The Paid Lunch Equity Tool is a tool that is used during the NSLP application renewal process to ensure that paid lunch prices are set appropriately to cover the cost of a paid student meal. If paid lunch prices are under the appropriate amount, the school district either needs to increase the paid student meal price or the district must transfer money into the food service account to make up the difference in lost revenue.

Unpaid Meal Charge Policy

Each district operating NSLP and/or SBP is required to have an unpaid meal charge policy/procedure. See guidance including: *SP 46-2016: Unpaid Meal Charges: Local Meal Charge Policies*, *SP 47-2016: Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments*, and *SP 23-2017: Unpaid Meal Charges: Guidance and Q&As*. The USDA has determined that students and their parents or guardians must be informed about how students who pay the full or reduced price cost of a reimbursable meal are impacted by having insufficient funds on hand or in their account to purchase a meal. SFAs must ensure that the policy is provided **in writing** to all households at the start of each school year and to households that transfer to the school during the school year. Additionally, SFAs are encouraged to include the policy in student handbooks and/or in online portals households use to access student accounts. SFAs are encouraged to use multiple methods to disseminate the policy. The written policy also could be provided again to the household through mail or email the first time the policy is applied to a specific student. SFAs also must provide the written meal charge policy to all school or SFA-level staff responsible for policy enforcement. In addition, SFAs are encouraged to provide information about the policy to principals and other school or district administrators to ensure they are familiar with and supportive of the policy. Policies must be available to the SA during the administrative review.

Non-program Food Revenue Tool (NPFRT)

The non-program food revenue tool completion is required annually for districts that sell any non-program foods. Non-program foods include a la carte items (e.g., milk, juice, entrée items, chips, etc.), adult meals, vending items, and catering. Residential Child Care Institutions (RCCIs) may not need to complete this tool as they may not sell any non-program foods (all students qualify for free meal benefits and adults typically eat at no charge). SFAs may opt to complete the USDA tool (USDA Non-program Food Revenue Calculator) or the SA NPFRT (Non-program Food Revenue Tool with Alternate Assessment); both are available in MyIdahoCNP in Download Forms. The NPFRT is completed for **one full school week** and the results are used to set pricing for the non-program foods available; the Alternate Assessment tab is the only tab completed if the *only* non-program foods sold are a la carte milk and adult meals.

A la Carte

A la carte pricing applies to students and adults. A reimbursable meal should be priced lower than the total of the a la carte prices of the same items. A la carte pricing should include all labor, food, and other costs including sales tax connected to the product. Completion of the non-program food revenue tool will generate pricing information.

Adult Meal Pricing

The USDA regulations state, “In no case should the funds collected for adult meals be less than the actual cost of providing the meals.” The benefits of the NSLP and SBP are for enrolled children only. According to federal guidelines, “no reimbursement or commodities are provided for meals served to adults.” The USDA has developed a method for determining the minimum prices charged for adult meals. If sponsors do not intend to charge these prices, the lost revenue cannot be recouped from child payments or reimbursement. Completion of the non-program food revenue tool will generate pricing information.

Capital Expenditure Request

Capital expenditure requests are required whenever a purchase over \$5,000 is to be made (USDA has defined \$5,000 as the threshold, but school districts may have lower thresholds). The purchase of capital expenditures requires **prior SA approval**. The expense must be allowable and proper procurement procedures must be used. To repeat, purchases over \$5,000 may not be made without prior SA approval; if capital expenditure purchases are made without SA prior approval, the district may be required to reimburse the food service account for the expense out of general funds.

WHY ARE FINANCIAL REQUIREMENTS AND RESOURCE MANAGEMENT IMPORTANT?

All charges to the non-profit food service account must be charged in an allowable manner. All revenues received by or accruing to the CNP account must be used only for the operation and improvement of the foodservice program.

Sponsors must comply with federal procurement standards found in 2 CFR Part 200, as well as any additional applicable state and local procurement regulations (which may be more restrictive than federal standards). *School districts are to follow whichever regulations are the most restrictive.* Please see the Procurement section of the Idaho School Nutrition Reference Guide for more information on purchasing.

RESOURCES

Additional resources may be available for this topic. Please check the Idaho School Nutrition Reference Guide website for copies of manuals, user guides, and helpful links to relevant subject matter.

For Questions Contact

Child Nutrition Programs
Idaho State Department of Education
650 W State Street, Boise, ID 83702
208 332 6820 | www.sde.idaho.gov

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