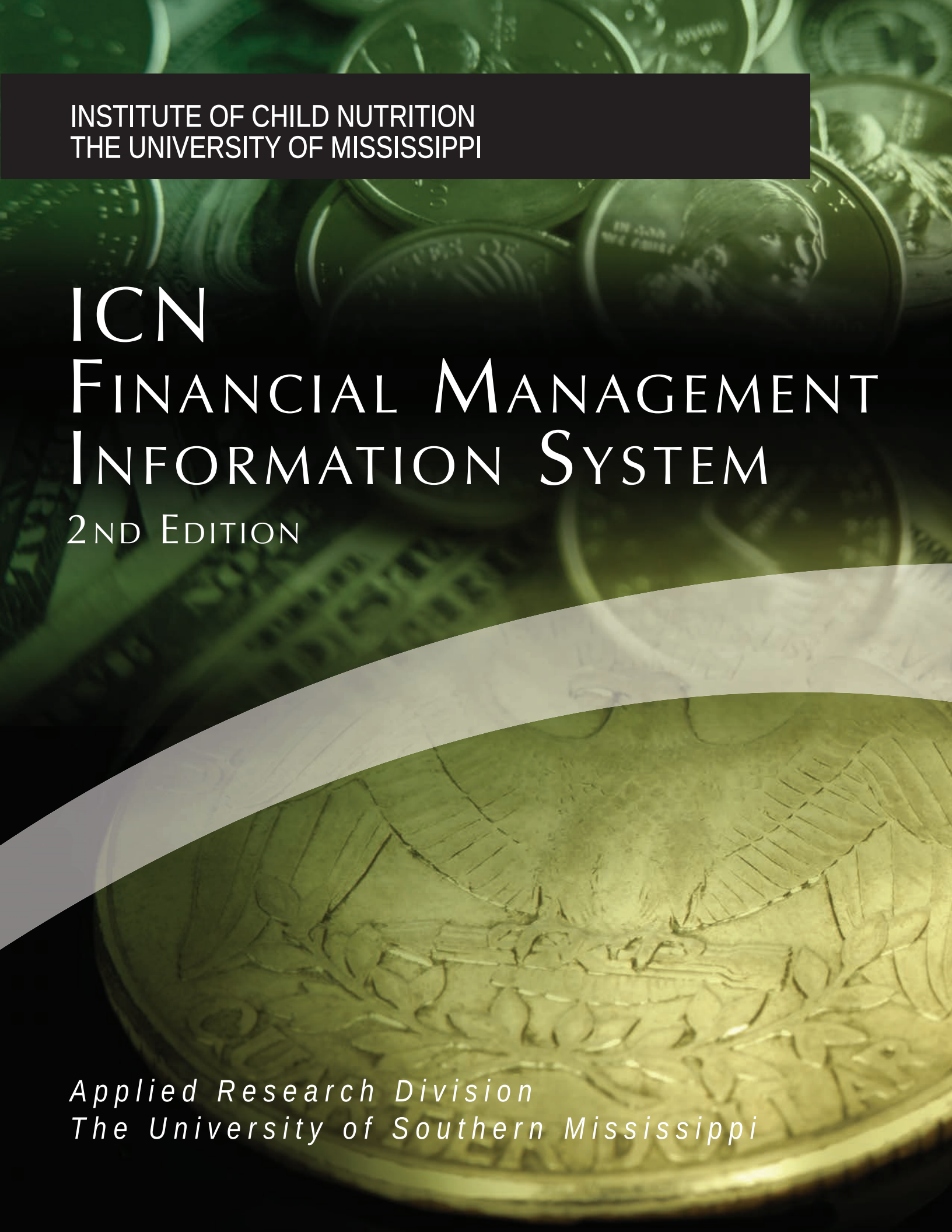

INSTITUTE OF CHILD NUTRITION
THE UNIVERSITY OF MISSISSIPPI

ICN Financial Management Information System

2nd Edition

Applied Research Division
The University of Southern Mississippi

ICN Financial Management Information System

2nd Edition

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INSTITUTE OF child nutrition
RESOURCES • TRAINING • RESEARCH

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Institute of Child Nutrition
The University of Mississippi

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VISION

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INTRODUCTION

FINANCIAL MANAGEMENT INFORMATION SYSTEM

The Financial Management Information System (FMIS) provides information and tools to assist school nutrition program administrators in operating financially sound programs. Originally published in 2001, by the Institute of Child Nutrition (ICN), this updated FMIS addresses changes in financial accounting and reporting outlined in the Healthy, Hunger-Free Kids Act of 2010.

The *Financial Accounting for Local and State School Systems*, a publication of the National Center for Education Statistics, is the primary resource used in the development of FMIS. This accounting publication is used by school systems throughout the United States to develop financial management frameworks and reports that meet Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) requirements, and Department of Education requirements.

A thorough understanding of the FMIS resource will equip school nutrition program administrators to work effectively with school business officials, administrators, and program staff to address financial management challenges.

Section 1
Identification and Classification of Financial Data

Section 1

IDENTIFICATION AND CLASSIFICATION OF FINANCIAL DATA

Using The Financial Management Information System

What is the FMIS?
The *Financial Management Information System* (FMIS) is a tool that will assist school nutrition program administrators in interpreting the financial outcomes of operational decision making. FMIS is designed to be broad in scope so allowing for use by all sizes and types of school nutrition programs across the nation. This resource will help administrators assess the financial health of their operations, compare outcomes with previous accounting periods, and measure progress against other school nutrition programs with similar operations.

What is the purpose of the FMIS?
FMIS is intended for use as a financial management tool to aid school nutrition administrators in decision making and to improve program quality and efficiency. Improvements in efficiency should not sacrifice program quality.

Why was the FMIS developed?
School nutrition professionals face growing pressures to operate school nutrition programs with increased efficiency and directors are expected to conduct the school nutrition program as a self-supporting unit. It is not sufficient to provide a historical record of financial performance and meet budget goals; professionals must justify their performance against best practice facilities. Success depends on the ability to meet customer needs, improve quality, and reduce expenditures.

Can anyone use the FMIS?
Yes. Any school nutrition administrator can use the FMIS.

What if I already completed financial records for my school nutrition program?
Many school nutrition programs already compile and calculate financial data in differing formats and varying amounts of detail. Some may choose to use the entire FMIS to compare key performance indicators to budget guidelines, to other programs or districts, or to their own previous performance. Others may elect to use only the parts of this FMIS to supplement recording and analysis procedures already in use.

When I use the FMIS, do I have to follow the schedule categories and formulas exactly?
Yes, FMIS is a systematic approach that allows financial data to be used for benchmarking purposes. The structure and format presented by this system ensures the following:

- Uniformity - All data are recorded the same way each time so that the results may be compared from one accounting period to the next, from one budget year to the next, or among schools/districts.
- Accurate Comparison - The ability to compare like items or facilities (apples compared to apples instead of pineapples) will provide credible information.
- Valid and Reliable Benchmarking - School districts can compare their data to facilities and districts recognized for best practices.

Not all programs have the same degree of complexity and more detail is provided in this system than necessary for some operations. For example, the revenue schedule shows where money generated from catering would be included in the total revenue calculation, however not all school nutrition programs provide this option. All elements of the FMIS may not be present in every school nutrition program, but if specific financial data are present, the FMIS provides the structure and format needed for consistency in financial analysis.

How does FMIS relate to the budget?

The FMIS can be very useful to school nutrition administrators in budget development and evaluation. The budget forecasts the amount of revenue that will be available and how it will be allocated for expenditures, thus providing one method of controlling operations and activities as they occur.

Why should I use the FMIS?

The advantages of using a uniform system like FMIS are as follows:

- A uniform system establishes standardized formats and account classifications to guide in the preparation and presentation of financial statements.
- Standardization permits internal and external users to compare the financial position and operational performance of a program to others with similar characteristics.
- The model provides a turn-key accounting system that can be adapted quickly to the needs and requirements of a program.
- Use over a period of time can generate local, regional, and national statistics that will assist in identifying trends and setting priorities for strategic planning by programs and the profession.
- The provision for both internal and external reports ensures that the appropriate, pertinent information, offering suitable detail, is presented to various audiences in the management of school service programs.
- While use of the FMIS is voluntary, school nutrition administrators are strongly encouraged to use the system as the national program moves toward standardization. Portions can be selected for use or the system can be adopted in its entirety.
- Acceptance of a uniform system for recording and analyzing financial data by the profession, as a whole, will foster the use of common standards and practices by both self-operated and commercially-managed programs.

OPERATIONAL DATA

All school district operational units, including school nutrition, must provide financial information in accordance with principles established to provide consistency and comparability for users. Financial accountability is achieved by accurate, relevant, and reliable information. Financial reports must provide data that foster effective decision making, allow internal comparison to expected or prior performance, and permit external comparison to other programs or established standards. As a result, the financial reporting systems must be capable of producing financial information in a variety of formats and level of detail.

The three major categories of information presented in financial reports for the school nutrition operation are:

- Revenues,
- Expenditures, and
- Fund Balance.

Revenue

Revenue can be defined as income received in exchange for goods or services provided by the school nutrition department. The major sources of revenue for school nutrition programs are local sources in the form of student payments for meals and federal reimbursement. Other sources of revenue include state reimbursement, revenue from nonprogram foods, contracts for other federal programs such as Elderly and Summer Food programs, interest/dividends, and rebates. This listing of revenues is not complete but offers a general guide to the identification of revenues. A complete listing of revenues is found in Section 3.

Expenditure

Expenditures are the allowable costs that can be identified specifically with the production and service of meals to the school children. The major expenditures associated with the operation of the school nutrition program are labor and food costs. Together, these two expense categories account for approximately 80-85% of all funds expended.

Fund Balance

The fund balance is the net cash resources available to the school nutrition operation at any given time, less current liabilities. Government regulations require that no more than three months of average expenditures may be accumulated in the fund balance. If the net cash resources exceed the three months average expenditures, the state agency must require that the school district take action to reduce the excess balance.

Section 2
Basic Financial Statements

SECTION 2

BASIC FINANCIAL STATEMENTS

One of the most important aspects of financial management is the preparation of financial statements. Basic accounting principles and financial management concepts must be in place to provide a uniform basis for gathering, recording, and interpreting financial data. The financial management guidelines presented here provide a model for recording and classifying transactions and allow users to summarize and interpret financial data to improve management decisions.

In order to make sound financial management decisions, the school nutrition administrator must have a working knowledge of basic accounting principles. In basic accounting procedures there are two primary methods for determining when to record a financial transaction.

- **Cash basis accounting** recognizes an accounting transaction at the point of cash inflow or outflow. While cash basis accounting is the simpler of the two methods, it may not provide the user with an accurate reflection of the financial status of the operation.

- **Accrual basis accounting** recognizes revenue when it is earned regardless of when cash is received and recognizes expenditures when they are incurred regardless of when payment is made. An accrual basis accounting method provides a more meaningful evaluation of the school nutrition program because it matches expenditures to revenues.

Many school nutrition programs use a blended method to record transactions. This method is best referred to as modified accrual. Although expenditures are matched with revenues in these operations, there are situations in which some expenditures, such as the payroll, do not exactly match the accounting period. In some school nutrition programs, these costs may not be adjusted to the accounting period as is required when using the accrual method.

Another variation in the method of recording accounting transactions often occurs when a school district purchases major equipment. In accrual accounting, the total cost of purchasing equipment is not expensed in the period in which it is purchased. Instead, a pro rata share of the cost in the form of depreciation expense is charged to each accounting period during the useful life of long-lived purchases. Under current reporting guidelines to USDA, equipment is considered an expense only once, when it is purchased.

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

- Statement of Activities, also known as the Statement of Revenue and Expenditures, and

- Statement of Net Position also known as the Balance Sheet.

STATEMENT OF ACTIVITIES (REVENUE AND EXPENDITURES)

The financial statement most often used to convey operating performance of a school nutrition program operation is the Statement of Activities.

The Statement of Activities 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. This information can be provided in an abbreviated statement to parties interested in the bottom-line results such as the superintendent, business officials, or school board members. A more detailed account can be provided to internal users such as the school nutrition administrator or school site managers. Effective communication of financial status provides sufficient detail to be valuable to the end-user, yet does not provide so much information as to over-complicate the report.

In order for the Statement of Activities to indicate the profitability of the operation, it must follow established standardized formats and classifications. Not only must financial data be accumulated and summarized, it must be presented consistently and in a way that users understand.

The Statement of Activities presented in this section, applies to the school nutrition program operations that are operated under the National School Lunch Program, School Breakfast Program and other school nutrition programs. The accounts appearing in this sample statement may not apply to every school nutrition operation. The actual number and type of accounts will vary according to state and local district requirements. Individual school nutrition administrators should modify the financial statements to meet their own needs and requirements, while remaining consistent with generally accepted accounting principles.

The Statement of Activities 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.

Preparing supplemental schedules with a complete listing of all items and their amounts can further enhance the school nutrition administrators' ability to make better financial management decisions. Supporting schedules and definitions for each category are covered in Section 3.

School District
School Nutrition Program Account
Statement of Activities
Ending _____(Month)

Revenue	Current Month	Prior Month	YTD
State Sources			
Federal Sources			
Other Sources			
Student Meal Sales			
Adult Meal Sales			
Contract Meal Sales			
Nonprogram Food Sales			
Miscellaneous Other Revenue			
Interest			
Fund Transfer-In			
Total Revenue Sources			
Expenditures			
Salaries and Wages			
Employment Benefits			
Purchased Food			
USDA Foods			
Food Production Supplies			
General Supplies			
Purchased Services			
Property Operation			
Miscellaneous			
Capital Assets			
Indirect Costs			
Fund Transfers			
Total Expenditures			
Net Excess/Deficit			

Revenue

The following definitions provide a general description of the revenues found on the Statement of Activities. Refer to the supplemental schedules in Section 3 for a more detailed description of revenue items. The schedules also provide a guide for classifying sources of revenue within each category.

State Sources
Funds are provided to the School Food Authority from the state government.

Federal Sources
Payments received from federal funds for reimbursable meals, afterschool care snacks, and suppers, as well as the value of USDA Foods received, cash received in lieu of USDA Foods, federal grants, and funds for other federal nutrition programs.

Other Local Sources
Funds received from sources such as local government aid, grants, or contributions.

Student Meal Sales
Funds identified as revenue received from the sale of reimbursable meals to students. Included are monies received from full-paying and reduced-paying students.

Adult Meal Sales
All revenue received from the sale of meals to adults. Meals sold to school employees, parents, and guests of the school district should be included in this category.

Contract Meal Sales
Funds received from the sale of meals prepared and regularly served for an agreed price to constituents of an agency, organization, business, or group who have entered into a contractual agreement with the School Food Authority.

Nonprogram Food Sales
Funds received from food sales such as à la carte, extra meal components (milk), snacks, and special school or catered meals. Some states and districts record adult meal sales in this category.

Miscellaneous Other Revenue
Other revenue not classified or included elsewhere, such as rebates, sale of surplus equipment, and lease or rental of equipment.

Interest
Money earned on bank deposits, investments, etc.

Fund Transfer-In
Funds transferred to the school nutrition program operation from other school funds.

Expenditures

The following definitions provide a general description of the expenditures found on the Statement of Activities. Refer to the supplemental schedules in Section 3 for a more detailed description of expenditures. The schedules also provide a guide for classifying sources of expenditures within each category.

Salaries and Wages
Expenses including regular pay, extra time, overtime pay, vacation pay, severance pay, holiday pay, substitute pay, administrative salaries, and other salaries and wages paid from school nutrition program funds. Supporting worksheets and schedules may be prepared.

Employee Benefits
Expenses including social security, all insurance applicable to employees, workers' compensation, retirement contributions paid by the school nutrition program, and unemployment insurance. This item may, according to school board policy, include employee meals, job-related medical expenditures not covered by insurance and other employee benefits such as uniforms paid for from school nutrition program funds.

Purchased Food Products
The amount expended for the purchase of all food sold in the school nutrition operation, charges for processing USDA Foods from bulk or raw form to ready-to-use end products, and the cost of USDA Foods delivery to school districts.

USDA Foods Used
The value of USDA Foods used, including food purchased with a commodity letter of credit, and cash in lieu of USDA Foods. It should be noted that under the single inventory concept, school districts are no longer required to inventory USDA Foods separately from purchased food.

Food Production Supplies
The cost of paper or disposable supplies used only for production and service of food at the school site. This category may be required to be identified separately for indirect cost purposes.

General Operating Supplies
Cost of general supplies necessary for the operation of the school nutrition program, including office supplies and dish machine supplies.

Purchased Services
Fees expended for professional and technical services, including accounting, legal advice, and training. Architects, consultants, computer specialists, food service management fees, and other similar services are also included.

Property Operation
Property service such as maintenance and upkeep of property. This includes energy costs, payments to other agencies for repairs and maintenance of school nutrition program equipment, and repair or upkeep of cafeteria facilities.

Miscellaneous
Expenditures not classified or included elsewhere.

Capital Assets
Costs for acquiring fixed assets such as initial equipment or replacement of equipment. Expenditures for technology hardware and software and vehicles are also recorded here. Unit cost (capitalization threshold) and useful life may be specified by the business entity.

Indirect Costs
General school district overhead attributable to the school nutrition operation, including school nutrition activities and support services provided by other district departments that are recovered through an approved cost allocation plan.

Fund Transfer-Out
Funds transferred from the school nutrition operation to other school district funds.

Statement of Net Position (Balance Sheet)

The Statement of Net Position or the Balance Sheet is a financial statement prepared at the end of each accounting period to reflect the financial position of the school nutrition operation at a particular point in time. The Statement of Net Position is normally considered a required financial statement in accordance with generally accepted accounting principles. However, this statement can also be a useful tool for school nutrition administrators. The Statement of Net Position contains critical information about the program's **assets**, **liabilities**, and the **fund** balance.

- Current assets include inventory values; accounts receivable; funds due from federal, state, and local governments; cash on deposit; petty cash; and cashier's change cash. Noncurrent assets include furniture and equipment less accumulated depreciation.

- Liabilities consist of obligations of the school nutrition operation at the date of the balance sheet that are expected to be paid by the close of the accounting period. Included are accounts payable, accrued salaries and benefits, funds due to other sources, deferred revenue, and sales tax owed.

- The Fund Balance consists of funds that are assigned for purposes such as encumbrances and inventory and also consists of unassigned funds. Unassigned funds represent the excess of funds over liabilities that are not restricted for specific purposes. This unassigned category is the amount available to spend in the school nutrition program.

- Total Assets = Total Liabilities + Fund Balance.

The Statement of Net Position is generally considered less useful than the Statement of Activities as it reflects an operation's financial position only at a particular moment and several of the items may be based on estimates. For example, it may not be possible to report the exact amount of revenue that is due to the school nutrition program in accounts receivable, so an estimate is recorded.

Statement of Net Position
For the period ending _____

Current Assets		
Cash and Cash Equivalents	$_____	
Cash in Bank	$_____	
Petty Cash	$_____	
Cashier's Change Cash	$_____	
Sales Tax Collection	$_____	
Investments	$_____	
Receivables		
Accounts Receivable	$_____	
Due from Federal Funds	$_____	
Due from State Funds	$_____	
Due from Other Funds	$_____	
Inventories		
Purchased Food and USDA Foods	$_____	
Supplies and Materials	$_____	
Total Currrent Assets	$_____	
Noncurrent Assets		
Furniture and Equipment	$_____	
Less accumulated depreciation	$_____	
Total Noncurrrent Assets	$_____	
Total Assets		$_____
Current Liabilities		
Accounts Payable	$_____	
Accrued Salaries	$_____	
Accrued Payroll Deductions	$_____	
Due to Other Funds	$_____	
Deferred Revenue	$_____	
Sales Tax Owed	$_____	
Total Liabilities	$_____	
Fund Balance		
Nonspendable		
Noncurrent Assets	$_____	
Inventory	$_____	
Assigned	$_____	
Unassigned	$_____	
Total Fund Balance	$_____	
Total Liabilities and Fund Balance		$_____

Assets Definitions

Cash
Cash deposited in banks, cash in the custody of cashiers, and petty cash.

Sales Tax Collected
Tax money collected for the state government on goods/services purchased.

Investments
Certificates of Deposit and other investments.

Accounts Receivable
Funds owed to the school nutrition program for services rendered with promise to pay. Examples are special school events, catered services, and contract meals.

Funds Due From Federal, State, and Local Sources
Funds due to the school nutrition program for reimbursable meals, state matching funds, or local funds provided by the school district.

Inventories
Values of purchased food, supplies, and USDA Foods held for future use.

Noncurrent Assets
An asset that is not easily convertible to cash with the next year. Examples include fixed assets, such as furniture and major equipment.

Accumulated Depreciation
A method of account for assets whose value is considered to decrease over time is accumulated depreciation. The cost associated with the acquisition and installation of the asset is allocated over the estimated useful life of the asset.

Liabilities Definitions

Accounts Payable
The amount the school nutrition program owes for goods and services purchased (unpaid bills).

Accrued Salaries, Wages, and Benefits
Salaries, wages, and benefits owed, but not paid until after the statement of net position date. For example, in some school districts, salaries are earned in nine or ten months but spread over twelve months; thus some salaries paid on July 31 may have actually been earned (accrued) by the end of May.

Due to Other School District Funds
Funds due to the school district for payments made on behalf of the school nutrition operation.

Deferred Revenue
Funds received in advance for meals and other food services.

Sales Tax Owed
Tax money collected and paid to the state government on goods and services purchased.

Fund Balance Definitions

Assigned
The amount of the fund balance reserved for outstanding purchase orders.

Nonspendable (Inventories)
The value of inventories of foods and supplies under assets.

Nonspendable (Noncurrent Assets)
Total capital assets less accumulated depreciation. Examples include major equipment and furniture.

Unassigned Fund Balance
The excess of the assets of a fund over it liabilities, fund reserves, and designations.

Section 3
Supplemental Schedules

Section 3

SUPPLEMENTAL SCHEDULES

This section contains supplemental schedules to support the completion of the Statement of Activities shown in Section 2. These supplemental schedules are designed to help school nutrition administrators identify potential sources of revenue and expenditures.

The schedules provide a guide for recording financial data in a manner that allows school nutrition programs to capture revenues, expenditures, and other pertinent information in a consistent and standardized format for use in financial decision-making. They are designed as management tools for the school nutrition administrator and are not required in financial reporting. Each administrator will need to decide how much of the information will be made available to other interested parties. The required information is usually reflected by the summary figures that appear on the Statement of Activities and/or Statement of Net Position.

The following points are important to remember when reviewing the supplemental schedules in this section:

- The detail included in each schedule will depend on the complexity of the school nutrition operation.
- Schedules are designed to be inclusive of all school nutrition revenues or expenditures. Whether a given school nutrition operation should or should not have revenue or expenditures in these categories is a local decision.
- School nutrition administrators should tailor the schedules by adding or deleting line items to match the situation in their school districts. Once adapted, schedules must remain consistent from one accounting period to the next. This permits school nutrition administrators to make meaningful comparisons.
- All changes in schedules must remain consistent with Generally Accepted Accounting Principles. If a given line item in a schedule is pertinent to the school nutrition operation in question, all calculations using that item must be followed as indicated to maintain consistency in financial analysis.
- The schedules can assist school districts in assigning program costs appropriately. Once a cost has been assigned to an item on a schedule, it cannot be assigned to an item on another schedule in a different category. This will help prevent duplication of costs as both direct and indirect.

Note

Schedules presented in this section were developed for use at **the central office** level. School districts may describe information in even more detail by preparing worksheets and spreadsheets for individual school sites.

Schedule and Definition Format

This section on supplemental schedules is divided into revenue and expenditure categories.

Under each category, there are supporting schedules for each source of revenue and type of expenditure. Each schedule is followed by a list of definitions for the revenue sources or expenditure items listed in the schedule, along with examples. The appropriate supporting schedule should be prepared for each category shown on the Statement of Activities.

The suggested schedules are presented as guidance to school nutrition administrators in an effort to establish a uniform financial management information system. Line items will vary according to the needs and requirements of individual school districts and states and items listed on the supplemental revenue and expenditure schedules may not apply to every school nutrition operation. Individual school districts should record data pertinent to that district and delete items listed on the schedule that are not relevant.

The recommendations in this uniform financial management information system are based on a consensus of school nutrition administrators, school business officials, state agency directors, public accounting authorities, and are consistent with Generally Accepted Accounting Principles.

Revenue
Schedules and Definitions

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Local Revenue Sources
Revenues – Student Meal Sales
Schedule R-1
For the period of _____

Student Meal Sales - Schedule R-1

Student Meals	Price		Number		Revenue	
Full Paid Breakfast	_____	X	_____	=	$ _____	
Prepaid Breakfast	_____	X	_____	=	$ _____	
Breakfast Charges Collected	_____	X	_____	=	$ _____	
Reduced Paid Breakfast	_____	X	_____	=	$ _____	
Prepaid Reduced Breakfast	_____	X	_____	=	$ _____	
Reduced Charges Collected	_____	X	_____	=	$ _____	
Total Breakfast Revenue						$ _____
Full Paid Lunch	_____	X	_____	=	$ _____	
Prepaid Lunch	_____	X	_____	=	$ _____	
Lunch Charges Collected	_____	X	_____	=	$ _____	
Reduced Paid Lunch	_____	X	_____	=	$ _____	
Prepaid Reduced Lunch	_____	X	_____	=	$ _____	
Reduced Charges Collected	_____	X	_____	=	$ _____	
Total Lunch Revenue						$ _____
Afterschool Snack Full Paid	_____	X	_____	=	$ _____	
Snack Reduced Paid	_____	X	_____	=	$ _____	
Snack Prepaid – Full	_____	X	_____	=	$ _____	
Snack Prepaid – Reduced	_____	X	_____	=	$ _____	
Full Paid Charge Collected	_____	X	_____	=	$ _____	
Reduced Charge Collected	_____	X	_____	=	$ _____	
Total Snack Revenue						$ _____
Total Student Meals Sales Revenue						$ _____

Definitions
Revenue – Student Meals

Full Paid Meals
Reimbursable school meals served to students who must pay full price. These meals include breakfast, lunch, and afterschool care program snacks. Meals are reported as full paid when money is collected at the point of service (POS).

Reduced Price Meals
All school meals served to students who are eligible to receive reduced price meal benefits under USDA eligibility guidelines.

Prepaid Meals
Reimbursable school meals, full or reduced price, paid for in advance. Revenue from these meals is reported as deferred revenue and is considered a liability on the balance sheet. Once the meals are reported as served, the revenue is reported as student meal sales.

Meal Charges Collected
Money collected for meals obtained on credit. The meals are counted and claimed for reimbursement at the time they are served.

Afterschool Care Program Snacks
Cash payments received for snacks served to the paying children in certain afterschool care programs. The share of the snack price paid by students who are eligible for reduced snacks is also included in this category.

Revenue - Adult Meal Sales
Schedule R-2
For the period of _____

Sales of Adult Meals - Schedule R-2

Adult Meal Sales - Breakfast	Price		Number		Revenue
School District Employees	_____	X	_____	=	$ _____
Guest Adult Meals	_____	X	_____	=	$ _____
Adult Meal Sales - Lunch					
School District Employees	_____	X	_____	=	$ _____
Guest Adult Meals	_____	X	_____	=	$ _____
Total	_____	X	_____	=	$ _____

Note: If you are in a state that requires sales tax collection on adult sales, you may want to customize this schedule to reflect the amount of sales tax collected.

NOTE

The two categories for adult meal prices have been provided for school districts that charge different prices for adult school employees and guests of the school district, such as parents. If only one price is charged, school nutrition administrators should adapt the schedule to **reflect school policy.**

Definitions
Adult Meals*

**All adult meal prices should be, at a minimum, the current Federal free lunch reimbursement rate + meal value of USDA Foods + taxes if applicable.*

School District Employees
Meals sold to the school district's adult employees. Meal prices to employees are often less than meal prices charged to guests.

Guest Adult Meals
Meals sold to adults, such as parents, who are invited to eat at school, but pay a different meal price than school employee adults.

Revenue - Contract Meal Sales
Schedule R-3
For the period of _____

Contract Sales - Schedule R-3

Contract	Revenue
Private Schools/Agencies	$ _____
Contracted Child Nutrition Programs	$ _____
Nutrition Programs for the Elderly	$ _____
Detention Centers	$ _____
Other	$ _____
Total Contract Sales	$ _____

Definitions
Contract Meal Sales

Private Schools/Agencies
Entities or organizations such as private schools, private day care centers, etc. that contract with school districts to provide reimbursable school meals.

Contracted Child Nutrition Programs
Nutrition programs sponsored by federal, state, or local governments to benefit children. Sponsoring organizations may contract with school districts for meal service. Examples include, Head Start and child day care meals.

Nutrition Programs for the Elderly
Nutrition programs sponsored by federal, state, or local governments to improve the nutritional well-being of elderly adults. Sponsors may contract with school districts to provide meals. Examples include, Meals on Wheels, senior citizen meals, adult day care, etc.

Detention Centers
Meals served in nutrition programs for inmates in adult detention centers, juvenile detention centers, etc.

Other
Contracted meals provided to individuals or organizations outside the school district that are not accounted for in any of the previously discussed items.

Revenue - Nonprogram Food Sales
Schedule R-4
For the period of _____

Nonprogram Food Sales - Schedule R-4

Nonprogram Food Sales	
Extra Meal components	$ _____
Extra Student Meals	$ _____
Other Nonprogram Foods	$ _____
Snacks (non-reimbursable)	$ _____
Special School Functions	$ _____
Catering	$ _____
Vending Machines	$ _____
Concessions	$ _____
Total Nonprogram Food Sales	$ _____

Definitions
Nonprogram Food Sales

Nonprogram Foods
This may be used as the overall category for items that are priced and sold separately from a reimbursable meal.

Extra Meal Components
Components of the reimbursable meal available for students to purchase separately.

Extra Meals to Students
Second meals sold to students who have purchased a reimbursable meal must be classified as non-reimbursable food.

Other Nonprogram Foods
Nonprogram food items sold separately from a reimbursable meal. Some states and districts record revenue from Adult meal sales in this category.

Snacks (Non-reimbursable)
Items sold outside the school meal programs or federal afterschool care program. They include snacks provided to students during break or items sold after school.

Special School Functions
Meal events or refreshments that are provided to other school departments for special school functions or events.

Catering
Food and services provided to events for schools, groups, or organizations, and not directly related to programs provided by the school nutrition department.

Vending Machines
Items sold from school nutrition program operated vending machines or commissions from vended food sales.

Concessions
Items sold at concession stands operated by the school nutrition department.

Revenue - Other Local Funds
Schedule R-5
For the period of _____

Other Local Funds - Schedule R-5	
Local Government Aid	$ _____
Local Grants	$ _____
Contributions	$ _____
Total Other Local Funds	$ _____

Definitions
Other Local Funds

Local Government Aid
Funds paid to the school nutrition program from the local, city, or county government, such as local subsidies for salaries or other labor costs.

Local Grants
Grant money awarded to the school nutrition program by local companies, industries, etc., to support special projects and activities.

Contributions
Money contributed to the school nutrition program by local organizations, groups, individuals, etc., for program support or special activities.

Revenue - Interest Earned
Schedule R-6
For the period of _____

Interest Earned - Schedule R-6	
Interest-Bearing Bank Accounts	$ _____
Certificates of Deposit	$ _____
Money Market Accounts	$ _____
Long Term Investments	$ _____
School District (Temporary Loans)	$ _____
Total Interest Earned	$ _____

Definitions
Interest Earned

Interest-Bearing Bank Accounts
Checking accounts that pay interest on the cash balance of the account. It is not uncommon for such accounts to have a monthly maintenance fee. Because the interest rate is variable, earning should be monitored to ensure that the monthly maintenance fee does not exceed earnings.

Certificate of Deposit (CD)
A higher-yield savings account with limited accessibility to the principal without affecting earnings. Interest rates are based on the length of time the money is on deposit with longer terms yielding higher interest earnings.

Money Market Accounts
A checking accounts that pays a higher interest rate than a regular checking account. A monthly minimum balance is required.

Long Term Investments
Investments in which the principal is committed for a specific period of time. The investment is higher than normal checking and saving accounts.

School District (Temporary Loans)
Interest earned on funds loaned to the school district. School nutrition program funds may be loaned to the district on a short-term basis only (a school year). The district should pay interest at the prevailing loan rate. The loan agreement should contain such stipulations as the purpose, interest rate (simple or compounded), the repayment schedule for the principal and interest, and penalties for late payment. Check with your state agency to see the specific requirements applicable to your district.

Revenue - Miscellaneous Other Revenue
Schedule R-7
For the period of _____

Miscellaneous Other Revenue - Schedule R-7	
Sales of Surplus Equipment	$ _____
Food Rebate (Prior Year)*	$ _____
Other	$ _____
Total Miscellaneous Revenue	$ _____

**Include only food rebates on food purchased the previous year. Rebates received in the current year are treated as reductions of food costs and should NOT be included here.*

Definitions
Miscellaneous Other Revenue

Sale of Surplus Equipment
Proceeds from the sale of surplus equipment sold to an outside entity. The equipment may be declared surplus when new equipment is purchased or when a district closes a school.

Rebates on Purchased Food (Prior Year)
Discounts offered from food companies in the form of rebates that are received by the school nutrition program after the fiscal year has closed. If the rebate occurs in the current year, the administrator should reduce the current year's food expenditures.

Other
Funds received and not classified or included elsewhere.

Revenues – State Revenue Sources
Schedule R-8
For the period of _____

State Sources of Revenue - Schedule R-8

Student Meals	Rate		Number		Revenue	
Free Breakfast	_____	X	_____	=	$ _____	
Reduced Breakfast	_____	X	_____	=	$ _____	
Paid Breakfast	_____	X	_____	=	$ _____	
Free Severe Need Breakfast	_____	X	_____	=	$ _____	
Reduced Severe Need Breakfast	_____	X	_____	=	$ _____	
Total Breakfast Revenue						$ _____
Free Lunch	_____	X	_____	=	$ _____	
Reduced Lunch	_____	X	_____	=	$ _____	
Paid Lunch	_____	X	_____	=	$ _____	
Total Lunch Revenue						$ _____
State Funds (matching)					$ _____	
State Milk Reimbursement					$ _____	
State Grant Money					$ _____	
Other State Revenue					$ _____	
Total Other Revenue						$ _____
Total State Revenue						$ _____

Definitions
State Revenue Sources*

**State revenue sources will vary, in both amounts and methods used for calculation, from state to state. In some states, there may be additional revenue categories. School nutrition program administrators should modify Schedule R-1 to reflect the reporting requirements for their state or district.*

Meal Reimbursement
Cash payments from the state for the reimbursable meals served.

Matching Funds
State-appropriated revenues paid to school districts for use in the school nutrition program. Matching funds are required by USDA. (Note: The method for calculating this item can differ from state to state.)

Special Milk Reimbursement
Cash payments from the state for milk served to children in eligible schools and agencies that do not participate in other school nutrition programs.

Grants
Grant money awarded to school districts for special projects and activities under state guidelines. Examples include, Breakfast Start-Up, Summer Feeding, State Grants, Farm to School, and Fresh Fruit and Vegetable grants.

Other Funds
State Funds received and not classified or included elsewhere, such as state money provided for equalization of school nutrition employee salaries.

Federal Revenue Sources
Revenues – Reimbursement of Federal Funds
Schedule R-9a
For the period of _____

Reimbursement Federal Funds - Schedule R-9a

Reimbursement	Rate		Number		Revenue	
Regular Free breakfast	_____	X	_____	=	$ _____	
Reduced breakfast	_____	X	_____	=	$ _____	
Paid breakfast	_____	X	_____	=	$ _____	
Severe Need Breakfast						
Free Severe Need	_____	X	_____	=	$ _____	
Reduced Severe Need	_____	X	_____	=	$ _____	
6 Cent Certification	_____	X	_____	=	$ _____	
Total Breakfast Revenue						$ _____
Free Lunch/Supper	_____	X	_____	=	$ _____	
Reduced Lunch/Supper	_____	X	_____	=	$ _____	
Paid Lunch/Supper	_____	X	_____	=	$ _____	
Total Lunch/Supper Revenue						$ _____
Special Milk						
Free 1/2 pints	_____	X	_____	=	$ _____	
Paid 1/2 pints	_____	X	_____	=	$ _____	
Total SM Revenue						$ _____
Afterschool Care Snacks						
Free	_____	X	_____	=	$ _____	
Reduced	_____	X	_____	=	$ _____	
Paid	_____	X	_____	=	$ _____	
Total Reimbursable Snack Revenue						$ _____
Cash in Lieu of USDA Foods						$ _____
Total Reimbursable Federal Funds						$ _____

Federal Revenue Sources continued
Revenue - Federal Funds - Special Federal Programs
Schedule R-9b
For the period of _____

Special Program Federal Funds - Schedule R-9b	
USDA Foods	$ _____
Cash in liew of USDA Foods	_____
Commodity Letter of Credit	$ _____
Grants (Federal)	$ _____
Summer Food Service Program	$ _____
Child and Adult Care Food Program	$ _____
Other Federal Programs	$ _____
Total Special Programs Federal Funds	$ _____
Total Federal Revenue - Schedule R-9(a&b)	$ _____

Definitions
Federal Funds

Meal Reimbursement
Federal cash payment received for breakfast, lunch, and supper meals that meet federal standards and are served to eligible children. The amount received is based on the meal definition (breakfast, lunch, or supper), category (free, reduced, or paid) and school economic status (regular, severe need).

Special Milk Reimbursement
Federal cash payment received for half pints of milk served to eligible kindergarten or preschool children who do not have access to the federal lunch or breakfast program.

Afterschool Care Program Snack Service
Federal cash reimbursements for snacks served to children and youth in certain afterschool care programs. The school site for the afterschool care program must participate in the NSLP.

Donated USDA Foods Value
The value of USDA Foods received during the reporting period.

Cash in lieu of USDA Foods
Federal funds that are paid to school districts in certain states to purchase specified food items from vendors in lieu of receiving USDA Foods.

Commodity Letter of Credit
The value of products used during that period.

Grants
Grant money awarded to school districts who submit successful proposals for special projects and activities.

Summer Food Service Program
Funds paid to schools that participate in the federal summer feeding program.

Child and Adult Care Food Program (CACFP)
Funds paid to schools who participate in the federally funded CACFP are recorded under this category.

Other Federal Programs
Other federally funded school nutrition programs administered by the local School Food Authority, not listed above. Examples are Farm to School and Fresh Fruits and Vegetables.

6 Cent Certification
An additional 6 cent per lunch reimbursed to School Food Authorities (SFAs) found to be in compliance with the new meal pattern requirement and required nutrition standards. If you are receiving the additional 6 cents reimbursement in your district, check with your state agency for guidance as to whether it should be considered when setting adult meal prices. Check with your state agency if you have further questions.

Revenue - Transfer of General Funds
Schedule R-10
For the period of _____

Transfers - Schedule R-10	
Transfer of General Funds	$_____

Definition

Transfer of General Funds
Funds transferred to the school nutrition operation from other school district funds.

Expenditres
Schedules and Definitions

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Expenditures - Salaries and Wages
Schedule E-1
For the period of _____

Salaries and Wages - Schedule E-1

	Expenses
School Nutrition Program Administration	
Nutrition Program Administrators	$ _____
Accounting/General Office Personnel	$ _____
School Nutrition Program Operating Staff	
Managers	$ _____
Cooks/Cashiers	$ _____
School Nutrition Workers/Helpers	$ _____
Cafeteria Monitors/Supervision Personnel	$ _____
Substitute	$ _____
Overtime	$ _____
Student Labor	$ _____
Drivers/Satellite Locations	$ _____
SFS Maintenance/Custodial	
Repair	$ _____
Custodial	$ _____
SFS Warehouse Personnel	$ _____
Other	$ _____
Total Salaries and Wages	$ _____

Definitions
Administrative and General

School Nutrition Administration

Positions associated with the responsibilities of administering the school nutrition operation. In the FMIS model, they are considered part of the central office staff only if they are paid directly out of the school nutrition account.

- **Nutrition Administrators** - Salaries and wages charged directly to the school nutrition program for the administrator, assistants to the administrator, school district area supervisors, nutrition coordinators, school nutrition purchasing agents, and other employees in positions associated with administrative duties.
- **Accounting/General Office** - Salaries and wages for bookkeepers, payroll clerks, secretaries, receptionists, etc., that are charged directly to the school nutrition program.

School Nutrition Operating Staff

Positions associated with producing and serving food, including cleanup and delivery to satellite locations.

- **Managers** - Salaries and wages paid to employees who manage the school nutrition program at the school site.
- **Cooks/Cashiers** - Salaries and wages paid to school nutrition employees who are responsible for all preparation and serving (including meal count) duties in the school nutrition operation.
- **School Nutrition Workers/Helpers** - Wages paid to school nutrition employees at the school level for duties other than food production, i.e., dishwashers.
- **School Nutrition Monitors/Supervision Personnel** - Amounts paid to school nutrition or employees at the school level for monitoring/supervising students during a meal service.
- **Substitute/Temporary Wages** – Full-time, part-time, and prorated portions of the costs for work performed by employees of the school district who are hired on a temporary or substitute basis. This may include wages paid to regular employees for work performed outside the time considered to be a regular day until it exceeds 40 hours per week, at which time it becomes overtime.
- **Overtime** - Amounts paid to employees of the school district in either temporary or permanent positions for work performed in addition to the normal work period for which the employee is compensated under regular salaries and wages. The terms of payment for overtime are dependent on state and local regulations.
- **Student Labor** - Compensation paid to student workers.
- **Drivers/Satellite Locations** - The salaries/wages paid to truck drivers and assistants whose only duties are to deliver meals to satellite locations. If they have other duties in the program or school district, then the portion of salary for time spent on other duties should be assigned to the appropriate category.

School Nutrition Maintenance/Custodial

Positions associated with maintenance, repair, and upkeep of school nutrition facilities.

- **Repair** - Salaries and wages paid to district employees from school nutrition program funds for repair to school nutrition program equipment/facilities. Employees include refrigeration mechanics, painters, carpenters, etc.
- **Custodial** - Salaries and wages paid to school personnel for upkeep, maintenance, and general housekeeping duties. Employees at the school level may include the custodian, janitor, and repair technician.

School Nutrition Warehouse Personnel

Salaries and wages paid to employees for duties associated with the cafeteria products that are delivered to and stored in a school district warehouse. This could include the warehouse manager, receiving clerk, delivery personnel, etc.

Other

Other salaries and wages that are not attributable to any of the previously discussed items. This may include prorated or transferred salaries charged to the school nutrition program funds for a portion of another school employee's time.

Expenditures - Employee Benefits
Schedule E-2
For the period of _____

Benefits - Schedule E-2

Benefits	Expenses
Social Security (FICA)	$ _____
Medicare Liability	$ _____
Retirement Contribution	$ _____
Group Insurance (health, life, etc.)	$ _____
Worker's Compensation	$ _____
Unemployment Compensation	$ _____
Personal Leave/Vacation/Sick Pay	$ _____
Medical Expense (Not covered by insurance)	$ _____
Employee Uniforms	$ _____
Employee Meals	$ _____
Tuition Reimbursement	$ _____
Total Benefit Expense	$ _____

Definitions
Employee Benefits*

**Employee benefits are expenses paid from the school nutrition program account for fringe benefits received by school district employees. They may vary from one school district to another and from state to state.*

Social Security (FICA)
A federal retirement tax paid by employers. The rate is set as a percentage of salaries and wages paid. Only the employer's share should be reported.

Medicare Liability
Employer's matching contribution to FICA for employee Medicare benefits.

Retirement
The cost of contributions paid by the school nutrition program fund to employee pension plans.

Group Insurance
Costs to the school nutrition program for contributions or premiums paid for employee insurance such as health, hospitalization, dental, accident, and/or life.

Workers' Compensation
The cost of contributions made by the school nutrition program to an insurance program that provides benefits to employees who suffer job-related injuries and illness.

Unemployment Compensation
The contribution by employers to the unemployment funds required by unemployment compensation laws.

Personal Leave/Vacation/Sick Pay
The portion of salary/wages expended for compensation to employees while absent from work due to vacation, personal leave, sick leave, bereavement, or jury duty.

Medical Expense (Not covered by insurance)
Expenditures for employee accidents or health concerns that are work-related, but not covered by insurance programs, excluding Worker's Compensation.

Employee Uniforms
Expenditures paid by the school nutrition program for uniforms, shoes, etc., for cafeteria employees.

Employee Meals
The cost of school meals eaten by school nutrition employees.

Tuition Reimbursement
Reimbursement of expenses for educational purposes.

Expenditures - Purchased Professional and Technical Services
Schedule E-3
For the period of _____

Purchased Services - Schedule E-3

Technology Services	$ _____
Communication	$ _____
Consultant/Technical Service Fees	$ _____
Custodial & Maintenance Contracts	$ _____
Laundry and Linen Services	$ _____
Food Service Management Fees	$ _____
Property Insurance	$ _____
Printing	$ _____
Advertisement	$ _____
Legal	$ _____
Human Resource Services	$ _____
Rental Fees	$ _____
Other	$ _____
Total Purchased Services	$ _____

NOTE

The expenditures included in this schedule are costs for services and contracts with vendors outside of the school nutrition personnel.

Definitions Purchased Services (Professional/Technical)

Technology Services
The cost of data processing services, including fees paid to data processing professionals. Other costs include contract fees for computer support, computer systems analysts, annual subscription fees for software, license fees, costs of hardware maintenance, and other related service fees.

Communication
Costs associated with communication services, including telephone services, cell phones, fax machines, pagers and pager services, Internet access providers, and two-way radios.

Consultant/Technical Service Fees
Costs of professional services such as public accountants and auditors, architects, professional consultants, nutrition analysts, and physicians. Technical services fees include required inspection fees such as health department and permit fees, safety inspection and permit fees, and environmental compliance fees.

Custodial and Maintenance Contracts
Costs of services and contracts not provided by the school nutrition department or school system. Examples include:

Kitchen hoods	Floor cleaning/waxing	Window washing
Pest control services	Equipment maintenance	Waste removal
Grease removal	Recycling pick-up service	Fire extinguishers

Laundry and Linen Services
Costs of contracting with an outside vendor for laundry services for the school nutrition operation.

Food Service Management Fees
Fees charged by an organization for management or supervision of the whole or part of the school nutrition operation, including contract management company fees and shared management fees. For example, several school districts may enter into a cooperative purchasing agreement whereby one school district assumes all administrative duties related to purchasing and the other districts pay for the service through a fee system.

Property Insurance
Costs of insurance premiums for liability, theft coverage, lost or damaged goods, performance bonds, fire, and weather. Postal insurance for shipped or mailed items may be included in this category.

Printing
Costs for services to print school menus, eligibility applications, handbooks, forms, and other materials necessary for the operation of the school nutrition. The cost for binding and other related services are also included.

Advertising
Advertisements for job vacancies, invitations to bid, etc.

Legal
Legal fees for retaining an attorney.

Human Resource Services
Costs of employee services including drug screening, background checks, fingerprinting, and medical exams required for employment. It may include employee assistance counseling and similar services.

Rental Fees
Costs of renting storage facilities in a commercial warehouse or for specialized equipment rented from a commercial rental company.

Other
Other professional or technical service fees or costs that are not accounted for in any of the previously discussed items.

Expenditures - Property Operation, Maintenance & Energy
Schedule E-4
For the period of _____

Property Operation, Maintenance & Energy - Schedule E-4	
Property Repair/Maintenance	$ _____
Electricity	$ _____
Fuel	$ _____
Water	$ _____
Security Services	$ _____
Grounds and Landscaping	$ _____
Total Property Operations	$ _____

Before determining expenditures for this schedule, school nutrition administrators should refer to USDA Policy Memo SP41-2011 Indirect Costs – Guidance for State Agencies and School Food Authorities; available at http://www.fns.usda.gov/school-meals/policy and 2 CFR Part 225; available at http://www.whitehouse.gov/sites/default/files/omb/fedreg/2005/083105_a87.pdf. The 2012 USDA Administrative Review Guidance Manual also addresses Indirect Costs in Section IV – Resource Management.

Definitions
Property Operation, Maintenance, & Energy

Many of the costs in this schedule are considered indirect costs. Indirect costs are costs that cannot be easily assessed as a direct cost because the amount must be prorated across support services and incidental supplies that are not easily identifiable with a specific program; i.e., utility costs. In such cases, the amount that can be treated as indirect costs is identified by an allocation method approved by the state agency or by an indirect cost rate resulting from an approved cost allocation plan.

NOTE

Remember: Costs cannot be charged as *direct* costs if the school district includes them as *indirect* costs.

Property Repair and Maintenance
Costs paid for services to maintain the building, furnishings, equipment, and other expenses necessary to keep the school nutrition facilities in operating conditions. Examples include:

- Walls and ceiling repairs
- Floor repair/replacement
- Furniture repair
- Plumbing repairs
- Heating/air conditioning repairs
- Electrical repairs
- Equipment repairs
- Painting expenses
- Network wiring
- Repairs to kitchen facilities

Electricity
The cost of electricity purchased from outside producers. Electricity must be metered to be considered a direct cost.

Fuel
The costs of oil, gas, and other types of fuel used for a facility.

Water
The costs of water purchased, sewage usage, water purification, and water tests.

Security Services
The costs of providing security alarm systems, hidden cameras, security guards, and other security measures. Also included are armored car and guard services.

Grounds and Landscaping
The costs of maintenance to the grounds or landscaping for outdoor patios or other school nutrition facilities.

Expenditures - Food and USDA Foods (Single Inventory) Schedule E-5 For the period of _____

*The following schedule allows for the single inventory of both purchased food and USDA Foods. For those schools that continue to inventory separately, see Schedules E-5a and E-5b.

Purchased Food - Schedule E-5

Purchased Food and USDA Foods - Single Inventory	
Beginning Inventory	$ _____
Total all Food Received	+ $ _____
Less: Ending Inventory	- $ _____
Cost of Food Used	= $ _____
Less: Company Rebates	- $ _____
Food Cost	= $ _____
USDA Foods Processing Fees	+ $ _____
USDA Foods Distribution Charge	+ $ _____
Total Food Cost	= $ _____

NOTE

School nutrition program administrators who prefer to use cost of purchased food *received* instead of cost of food *used* on the Statement of Activities should omit inventory information and enter only the total cost of food purchased.

Expenditures - Purchased Food Inventory
Schedule E-5a
For the period of _____

Purchased Food Inventory - Schedule E-5a

Beginning Inventory	$ _____
Purchased Food Received	+ $ _____
Less: Ending Inventory	- $ _____
Cost of Purchased Food Used	= $ _____
Less: Company Rebates	- $ _____
Food Cost	= $ _____
USDA Foods Processing Fees	+ $ _____
USDA Foods Distribution Charge	+ $ _____
Total Food Cost	= $ _____

Expenditures - USDA Foods Used
Schedule E-5b
For the period of _____

USDA Foods Used - Schedule E-5b

Beginning USDA Foods Inventory	$ _____
Value of USDA Foods Received	+ $ _____
Less: Ending USDA Foods Inventory	- $ _____
USDA Foods Used	= $ _____

Definitions
Food and USDA Foods

Beginning Inventory
The value of the food inventory at the beginning of the month.

Food Received
The dollar value of raw foods, prepared foods, oils, spices, condiments, and other edible goods received for the school nutrition program during the accounting period. If schedule E-5 is used, the category includes both purchased food and USDA Foods.

Ending Inventory
The value of the food inventory at the end of the month. If the school district is calculating a single inventory, the value includes both purchased food and USDA Foods.

Company Rebates
Money received from a company as an incentive to use a product. If the rebate is received during the year in which the food is purchased, it is recorded as a reduction to food cost. Rebates from the prior school year are recorded as revenue.

USDA Foods Processing Fees
Fees paid to commercial food processors for processing USDA Foods into more convenient forms. They do **not** include the value of the USDA Food.

USDA Foods Distribution Charge
Charges assessed by the state for storage and transportation of USDA Foods and for administration of USDA Food distribution.

Beginning USDA Foods Inventory
The value of USDA Foods in storage at the beginning of the month.

Value of USDA Foods Received
The value assigned by USDA for food items received through the USDA Foods program during the accounting period.

Ending USDA Foods Inventory
The value of USDA Foods in storage at the end of the month.

Expenditures - General Operating Supplies
Schedule E-6a
For the period of _____

General Operating Supplies - Schedule E-6a	
Cleaning/Janitorial Supplies	$ _____
Office Supplies	$ _____
Kitchen Supplies and Small Equipment	$ _____
Maintenance & Repair Supplies	$ _____
General & Food Production Supplies	$ _____
Total General Operating Supply Expense	$ _____

NOTE

In some states, school foodservice authorities are required to identify costs of food productions supplies separately from general supplies for indirect cost calculations. Schools in those states may need to use E-6B. *School districts should choose only one schedule, E-6a OR E-6B not both.*

Expenditures - General Operating and Food Production Supplies
Schedule E-6b
For the period of _____

General Operating & Food Production Supplies - Schedule E-6b	
Cleaning/Janitorial Supplies	$ _____
Office Supplies	$ _____
Kitchen Supplies and Small Equipment	$ _____
Maintenance & Repair Supplies	$ _____
Total General Operating Supplies	$ _____
Food Production Supplies	$ _____
Total All Supplies	$ _____

Definitions
General Operating Supplies

General Operating Supplies are those supplies used in administering and operating the school nutrition program. The breakdown represented below may not be feasible or necessary for every School Food Authority. However, these categories and definitions are provided for information and optional use by the school nutrition administrator.

Cleaning/Janitorial Supplies

Items used to keep the school nutrition facilities clean and sanitary. Examples include:

Cleaning compounds	Detergents	Disinfectants
Mops/mop buckets	Brooms/dust pans	Polishes
Steel wool/scouring pads	Brushes	Wax/wax stripper
Hand soaps	Trash containers	Garbage bags
Water treatment chemicals	Dish machine chemicals	Drying agents
Sanitizer	Dish racks	Toilet paper
Paper towels		

Office Supplies

Items used in the district/school office to administer the school nutrition program. Examples include:

Adding machine tape	Binders	Desk pads
Pens, pencils, markers	Stamp pads	Staplers, staples
Computer supplies	Printed forms	Masking tape
Time books	Rubber bands	Paper clips
Scotch tape	Folders	Report covers
Stationery/envelopes	Computer paper	Printer cartridges
CD's/DVD's	Postage	

Kitchen Supplies and Small Equipment

Items used in the process of preparing, serving, and storing food. Examples include:

- Kitchen utensils - Cutting knives, measuring devices, spatulas, whips, brushes, thermometers, serving utensils, protective gloves, cutting boards and other such kitchen items.
- Cookware/ovenware - Pots, steam pans, cobbler pans, bun pans, skillets, and other similar cookware.
- Preparation equipment - Scales, timers, can openers, and small equipment such as blenders or hand mixers.
- Storage/transport - Pan racks, dunnage racks, utility carts, can storage racks, food storage containers, storage room bins, food transport cart, and other items used for storage or transport of food.
- Serving line supplies - Plates, flatware, glasses, plastic aprons, plastic disposable gloves, trays, tray racks, and other similar items.

Maintenance & Repair Supplies

Items purchased by the school nutrition program for **in-house repair** and upkeep of equipment and facilities. Examples include:

- Light bulbs
- Windowpanes
- Floor mats
- Equipment parts
- Service manuals
- Fuses
- Filters (water, air)
- Fire extinguishers
- Light switches
- Refrigeration supplies
- Paint supplies
- Water hoses
- Electrical cords

NOTE

Some states may require separate identification of the items in the following category for the purpose of establishing a cost allocation plan for *indirect* cost.

Food Production Supplies

Paper or disposable supplies used at the school site only for production and service of food. Examples include:

- Napkins/Paper towels
- Straws
- Soufflé cups
- Wax paper
- Utensils
- Pastry bags
- Filter paper
- Pan liners
- Foil & Film Wrap
- Disposable gloves
- Disposable table covers
- Parchment
- Disposable juice cups
- Plates/trays/bowls

Expenditures - Capital Assets
Schedule E-7
For the period of _____

Capital Assets - Schedule E-7

Equipment, Purchased	$ _____
Kitchen Equipment	$ _____
Office Equipment	$ _____
Dining Furniture	$ _____
Office Furniture	$ _____
Technology (hardware/software)	_____
Vehicles	$ _____
Equipment, (Leased/Purchased)	$ _____
Kitchen, Major	$ _____
Office	$ _____
Equipment, Leased	$ _____
Kitchen Equipment	$ _____
Office Equipment	$ _____
Vehicles	$ _____
Total Capital Assets Expenditures	$ _____

Definitions
Capital Assets

Major Equipment/Furniture, Technology Purchased
An expenditure for durable equipment or furniture and technology over a specified dollar amount, as defined by the state, with a life expectancy greater than one year. It is recorded to a fixed asset account. Items may include major food preparation equipment, refrigeration equipment, serving line equipment, copying machines, fax machines, computer hardware and software, dining room tables/chairs, office desks, vehicles etc.

Equipment, Leased/Purchased
Equipment initially leased for a contract price. When the lease is fully paid, the equipment becomes the property of the school district.

Equipment, Leased
Payments for equipment that will be returned to the leasing agent when the lease expires.

Note

The *NCES Financial Accounting for Local and State School Systems, 2009 Edition* proposed a set of criteria for distinguishing capital equipment from supply items. An **equipment item must meet all of the criteria. An item should be classified as a supply if it** does not meet all of the stated equipment criteria.

Criteria for Distinguishing Equipment from Supply Items

- Lasts more than one year
- Repair rather than replace
- Independent unit rather than being incorporated into another unit item
- Cost of tagging and inventory small percent of item cost
- Exceeds minimum dollar value mandated by state or other governmental unit (capitalization threshold)

Note

An item should be classified as a supply if it does not meet all of the stated equipment criteria.

Expenditure - Miscellaneous
Schedule E-8
For the period of _____

Miscellaneous - Schedule E-8

Transportation	$ _____
Fuel and Oil	$ _____
Insurance	$ _____
Repair/Service	$ _____
Books, Periodicals	$ _____
Subscriptions	$ _____
Professional Dues	$ _____
Nutrition Education	$ _____
Staff Development Activities/Training	$ _____
Professional Conference/Meetings, Etc.	$ _____
In-District Travel	$ _____
Marketing	$ _____
Recruitment	$ _____
Other	$ _____
Total for Miscellaneous	$ _____

Definitions
Miscellaneous

Transportation

- Fuel and Oil - The costs of fuel and oil directly used by vehicles owned or leased by the school nutrition program.
- Insurance - The cost of insurance on vehicles owned or leased by the school nutrition program.
- Labor for repair/service - Expenditures for outside labor and parts to repair and/or service vehicles owned or leased by the school nutrition operation. The costs for tires, batteries, etc., purchased by the school nutrition program are also included.

Books, Periodicals

Books, periodicals, and other publications used in the operation or management of the school nutrition program.

Subscriptions
The costs of subscriptions to business, professional, and technical periodicals that are applicable to the school nutrition program.

Professional Dues
The costs of memberships in business, technical, and professional organizations.

Nutrition Education
The costs of conducting or promoting nutrition education in the school district.

Staff Development Activities/Training
The costs associated with training activities provided for employee development by the school district. Costs for training provided by outside vendors not on the payroll of the school district should be reported under Purchased Professional Services.

Professional Conferences/Meetings
The costs of meetings and conferences where the primary purpose is the dissemination of technical information, including meals, transportation, rental of meeting facilities, and other incidental costs.

In-District Travel
Expenses for local travel (mileage) within the school district. Other expenses may include visits to schools and business-related trips to banks, etc.

Marketing
The costs of improving customer satisfaction with the school nutrition program. Included are promotions, point of sale decor, advertising, publicity, customer satisfaction surveys, etc.

Recruitment
Costs related to attracting applicants for vacancies within the school nutrition operation.

Other
Any additional miscellaneous costs that are not accounted for in any of the previously discussed items.

Expenditures - Indirect Cost/Fund Transfer
Schedule E-9
For the period of _____

Indirect Cost/Fund Transfer - Schedule E-9	
Indirect Cost	$_____
Fund Transfer	$_____

Definitions
Indirect Cost/Fund Transfer

Indirect Cost

The nutrition program's share of general school district costs that have been incurred for common or joint purposes and cannot be readily identified as a direct cost. The amount recovered must be through an approved cost allocation plan. Costs charged to or paid directly by the school nutrition program cannot also be charged as an indirect cost. Indirect cost rate agreements expire annually and it is imperative that School Food Authorities use the most current approved rate for each fiscal year.

Examples of Typical Direct and Indirect Costs for School Nutrition Programs

Direct Costs	Indirect Costs
Wages and salaries of school nutrition workers	Payroll services
Cost of purchased food	Human Resources
Food service supplies	Workers' Compensation
Media/promotional materials relating to school nutrition	Procurement
Capital expenditures relating to school nutrition (e.g., school nutrition equipment purchases)	Gas
	Electricity
	Sewer
	Water
	Trash
	Superintendent's Office

Fund Transfer

Funds transferred from the school nutrition program to other school district funds are recorded.

Section 4
Financial Analysis and Program Evaluation

Section 4

FINANCIAL ANALYSIS AND PROGRAM EVALUATION

Successful financial management of a school nutrition program operation requires careful review and analysis of financial data. For financial data to be purposeful and useful, it must be easily understood, reliable, relevant, and timely. Understanding and monitoring financial data can help decision makers determine the profitability and efficiency of a school nutrition program operation and identify areas for improvement.
The relationship between available revenue and program costs must be evaluated on a regular basis.

Identifying relevant performance indicators can be helpful to evaluate effective financial management of a school nutrition program operation. Performance indicators appropriate for school nutrition programs include:

- financial position (Statement of Activities, Statement of Net Position, budget variances, fund balance);
- percent of expenditure by category to total revenue (operating ratios);
- cost per meal/meal equivalent (purchased food cost, labor cost, USDA Foods value supply cost);
- participation rate (by program and by eligibility category); and
- productivity (Meals Per Labor Hour).

These performance indicators are meaningful only when compared to other useful criteria. One way to accomplish this comparison is through the utilization of an internal and external benchmarking process. Benchmarks are standards used to:

- measure performance and
- identify areas for improvement.

Benchmarking data can be compared to:

- corresponding data from the prior period; significant increases or decreases may be identified from this comparison,
- planned goals such as the budget, participation, and Meals Per Labor Hour, and
- other school nutrition operations with similar characteristics.

The goal of benchmarking is to improve performance, meet planned goals, and budgets by adopting best practices of benchmarking partners. The use of "best practices" identifies operations of excellence and can help a school nutrition administrator answer questions about how the district school nutrition program operation is doing when compared to other school districts.

Meal Equivalents

In school nutrition programs, the production of meals is the unit of measurement used to gauge the effectiveness and efficiency of a school nutrition program. The student reimbursable lunch is the standard unit of measurement most often used. Converting operational data for all food sales, including student lunches, breakfasts, snacks, and nonprogram foods, to meal equivalents allows the school nutrition administrator to determine a per meal cost and evaluate productivity. Meal costs based on meal equivalents allow school nutrition administrators to better benchmark financial performance, both internally and externally. Examples of meal equivalent conversion formulas and calculations are presented below.

Lunch

All student reimbursable lunches, student reimbursable suppers, and full-paid adult lunches are counted as one meal equivalent. If a student purchases more than one lunch on a given day, the second lunch is considered non-reimbursable and is reported as a nonprogram food sale. The category for reporting is determined by state agency requirements. Lunches eaten by school nutrition employees at no charge are considered "in-kind" meals and should not be counted as a meal equivalent.

Breakfast

The most common calculation for determining breakfast meal equivalents specifies that three breakfasts count as two meal equivalents. However, it is important to note that the meal equivalent ratio used for calculating breakfast meal equivalents varies from state to state and school nutrition administrators should check with their state agencies for guidance. Once a ratio is selected it should remain consistent for the entire reporting period (year) for comparison and benchmarking purposes.

Using the FMIS formula, breakfast meal equivalents are calculated as follows:

Meal Equivalent = Number Breakfasts Served x conversion factor (2÷3 = .67)

Example: A school nutrition program served 300 student reimbursable breakfasts and 58 adult non-reimbursable breakfasts on a given day. Using the formula that 3 breakfasts are equivalent to 2 lunches, three breakfasts count as two meal equivalents, or 240 meal equivalents.

Number Breakfasts Served x conversion factor = Meal Equivalent

358 x 0.67 = 239.86 or 240

Afterschool Snacks

NSLP snacks are served to children and youth in afterschool care programs that are eligible for USDA reimbursement. While there are no current research studies to support the meal equivalency ratio, a survey of selected state agencies indicated most states use a 3-to-1 ratio of snacks to meal equivalent. Using this equivalency, snacks can be converted to meal equivalents as follows:

Meal Equivalent = Number of Snacks Served x conversion factor (1÷3 = 0.33)

Example: An elementary school served 450 students reimbursable afterschool snacks. Using the formula that 3 snacks are equivalent to 1 meal, the snacks served to students on this particular day were equivalent to 149 meal equivalents.

Number of Snacks Served x conversion factor = Meal Equivalent

450 x 0.33 = 148.5 or 149

Nonprogram Food Sales

Meal equivalent calculations for all other school nutrition program categories are based on the annual federal reimbursement rate for a free lunch plus the entitlement USDA Foods value. The revenue from nonprogram food sales can be converted to meal equivalents as follows:

$$\text{Meal Equivalent} = \frac{\text{Nonprogram Sales Revenue}}{\text{Free Lunch Reimbursement + USDA Foods Value Per Meal}}$$

Example: Assume that a school nutrition operation sold nonprogram food items on a given day that totaled $234.00 in revenue. Using the formula above, we can convert the revenue from nonreimbursable food sales to the equivalent of 74 lunches.

$$\frac{\text{Nonprogram Sales Revenue}}{\text{Free Lunch Reimbursement + USDA Foods Value Per Meal}} \qquad \frac{\$\ 234.00}{\$2.93 + .2325\ (\$\ 3.1625)^*}$$

Meal Equivalent = 73.99 or 74

*Based on reimbursement rates effective from July 1, 2013 – June 30, 2014. Reimbursement rates should be updated annually.

The same formula would apply for other school nutrition program events such as catered meals or special school functions.

$$\text{Meal Equivalent} = \frac{\text{Catered Meal Sales Revenue}}{\text{Free Lunch Reimbursement + USDA Foods Value Per Meal}}$$

Example: A school nutrition operation offers catering services to departments within the school system. During one month, the school nutrition department catered three events with resulting sales of $935.70. To determine the meal equivalents for catered sales, the school nutrition administrator divided the catering sales total by the value of the federal reimbursement for free meals plus the USDA Foods value of the lunch. Using this calculation, the catering sales for that month converted to 296 lunch equivalents.

Catered Meal Sales Revenue	$ 935.70
Free Lunch Reimbursement + USDA Foods Value Per Meal	$2.93 + .2325 ($ 3.1625)*

Meal Equivalent = 295.87 or 296

Cost of Purchased Food Used

School nutrition program administrators must monitor the amount of money they spend on purchased food used during a given period of time. This information helps determine whether costs are within guidelines and funds are available to cover costs. The cost of purchased food used is also necessary to determine some performance indicators. For example, the cost of purchased food used must be calculated before the school nutrition program administrator can determine meal costs.

A physical inventory must be taken consistently and on a regular basis (a minimum of a monthly inventory is recommended) to obtain current and accurate results. At the end of the accounting period, the food inventory is taken, the value of the food inventory is calculated, and the cost of purchased food used for the period is determined as follows:

Cost of Purchased Food Used	=	Beginning Purchased Food Inventory
	+	Food Purchases
	=	Total Purchased Food Available
	-	Ending Purchased Food Inventory
	=	Cost of Purchased Food Used

Example:	Annually	Monthly
Beginning food inventory	$8,000	$8,000
Food purchases	300,000	25,000
Food available	308,000	33,000
Less: ending food inventory	7,000	7,000
Cost of purchased food used	**$301,000**	**$26,000**

Streamlined USDA Food Inventory

When calculating the cost of food used, the value of USDA Foods must be considered. USDA has taken steps to more fully integrate USDA Foods with other foods utilized by school nutrition programs to reduce cost and provide more timely deliveries. Under this single inventory concept, the cost of food used may include the value of USDA Foods.

The guidelines for the single inventory concept are as follows:

- Inventories of USDA Foods are no longer required to be separate from inventories of other foods.

- Most USDA Foods are packed with commercial labels instead of USDA labels.
- Procedures may differ from state to state in accounting for USDA Foods inventories.

Some states continue to provide school districts with USDA Foods information that includes the per-case value. The USDA Foods value is entered into the district accounting records separately from the cost of purchased food. This allows the school district to calculate both the cost of purchased food used and the value of USDA Foods used in the reporting period.

Per Meal Costs

The cost of producing a meal is a critical piece of information for the school nutrition program administrator. Meal cost is determined by dividing total expenditures for a given reporting period (day, week, month, quarter, year) by total meal equivalents during the same period. Expenditures include all costs to the school nutrition program, including food costs, labor costs, supply costs, and all other costs. These costs categories are illustrated below.

Food Costs

Cost of purchased food used
Value of USDA Foods (if available)

Labor Costs

Salaries and wages, including administrative office salaries (when paid from the School Nutrition Account)
Employee benefits

Supply Costs

General operating supplies
Food production supplies
Expendable equipment

Other Costs

Capital assets
Repairs, maintenance
Professional development (travel, conferences, training, etc.)
Overhead (utilities, communication, and other appropriate costs as defined by state guidelines)
Indirect (charges from district).

NOTE

This listing is not exhaustive. Each school nutrition program must include costs unique to its operation and all costs must be included to achieve accurate results.

Per Meal Cost Calculation

When expenditures are categorized, each cost--food, labor, supplies, and other costs--can be calculated per meal. For example, purchased food cost per meal can be calculated using the following formula:

$$\frac{\text{Costs of Purchased Food Used}}{\text{Total Lunches + Meal Equivalents}}$$

The formulas for labor and supply costs are listed below. School nutrition administrators can use the formula also to calculate per-meal costs for other expenditure categories.

$$\frac{\text{Labor Costs}}{\text{Total Lunches + Meal Equivalents}}$$

$$\frac{\text{Supply Costs}}{\text{Total Lunches + Meal Equivalents}}$$

To calculate total costs for producing a meal, the school nutrition administrator should divide the sum of expenditures in all categories for the period being analyzed by the total meal equivalents served in that period.

$$\text{Meal Cost} = \frac{\text{Total Expenditures}}{\text{Total Lunches + Meal Equivalents}}$$

Meal cost can be calculated for any accounting period. The example below provides an explanation of the total process for calculating the cost to produce a meal for a given period of time.

> **Example:** In ABC Elementary School, school nutrition staff members concerned about plate costs in their school decide to analyze daily meal costs. On the day of analysis, the school nutrition operation served 200 student lunches, 23 adult lunches, 96 breakfasts, 54 snacks in the afterschool care program, and collected $110.00 in nonprogram food sales. Expenditures for the day totaled $919.55. Using the following steps, staff calculates the cost per meal based on the number of meal equivalents served for the day.

Step 1 - Determine the expenditures for period.

Food costs (includes USDA Foods)	$ 401.50
Labor costs	279.50
Benefit costs	90.50
General supplies/paper supplies	56.60
Overhead costs (prorated as a daily rate based on an average monthly cost)	91.45
Total costs for the day	**$919.55**

NOTE

Calculations made at the school level serve as a tool for evaluating expenditures at that **site. They may not necessarily reflect all costs associated with the district's school nutrition** operation.

Step 2 - Calculate all meals and meal equivalents.

Using the FMIS meal conversion formulas, the total number of meals and meal equivalents by category are as follows:

Breakfasts Meal Equivalents = Number of Breakfasts Served x conversion factor

63.36 or 63 = 96 x 0.66

Snack Meal Equivalents = Number of Afterschool Care Snacks Served x conversion factor

17.82 or 18 = 54 x 0.33

$$\text{Nonprogram Food Equivalents} = \frac{\text{Nonprogram Food Sales Revenue}}{\text{Federal Free Lunch Reimbursement + USDA Foods Value}}$$

$$34.78 \text{ or } 35 = \frac{\$110}{\$\ 2.93 + .2325\ (\$3.1625)}$$

Lunches = Student lunches + Adult Lunches

223 = 200 + 23

Step 3 - Add all meal equivalents and lunches together for the time period analyzed.

63 breakfast meal equivalents
18 snack meal equivalents
35 a la carte meal equivalents
223 lunch meal equivalents
339 total meal/lunch equivalents

Step 4 - Calculate the per plate meal cost.

Divide the total expenditures for the period by the total meal equivalents. This calculation identifies the cost of producing a meal equivalent on a per-plate basis for the time period analyzed.

$$\text{Meal Costs} = \frac{\text{Total Expenditures}}{\text{Total Meals/Meal Equivalents}}$$

$$\$\ 2.71 = \frac{\$919.55}{339}$$

NOTE

Consider operational differences when comparing cost data with other school nutrition programs in your district and local areas. School nutrition programs must have similar characteristics for comparisons to be meaningful.

The meal cost of $2.71 for the day may be compared to other meal costs for this school nutrition program. For example, the previous week's daily meal costs were as follows:

Monday	$2.51
Tuesday	2.55
Wednesday	2.52
Thursday	2.57
Friday	2.49

The meal cost of $2.71 is $0.14 more than the highest cost for the previous week's meals. This should alert the school nutrition administrator to investigate the reason for the increase or to the need to balance high-cost with low-cost meals to meet established cost guidelines. In addition, the information is a valuable tool for future menu planning.

Operating Ratios

Operating ratios help school nutrition administrators evaluate and monitor their operations. These ratios relate expenses to revenues and are useful to management because they allow comparison of actual results against anticipated operational plans. All expenditures can be calculated as a percentage of total revenue. This section will provide examples of two of the most critical ratios, food cost percentage and labor cost percentage.

Food Cost Percentage

School nutrition administrators often rely on this ratio to determine whether expenditures for purchased food are reasonable and in line with previously established guidelines. Because most of the revenue in school nutrition programs comes from the sale of food, the food cost percentage is generally calculated using the ratio of food cost to total revenue. The results are then compared to established or budgeted goals. The food cost percentage can be calculated using the following formula:

$$\text{Food Cost Percentage} = \frac{\text{Cost of Purchased Food}}{\text{Total Revenue}}$$

Example: A school nutrition program had total revenue of $30,000 for the month of February and a food cost of $16,500 for the same month. Using the formula above, we can see that this operation had a 55% food cost in relation to total revenue for the month. This tells the school nutrition administrator that $0.55 of every revenue dollar was spent for food in the month of February.

$$0.55 \times 100 \text{ or } 55\% = \frac{\$16{,}500}{\$30{,}000}$$

If, the school nutrition administrator planned to maintain a 38-40% average for purchased food cost throughout the year, a 55% food cost signals that the goal is not being met and the reason for the higher food cost must be investigated.

Tracking the food cost to revenue ratio on a weekly or monthly basis can identify trends and pinpoint potential problems.

Variances may occur due to:

- poor portion control
- overproduction and waste of food
- inaccurate inventories when food cost is based on food used rather than food received
- theft
- unexpected increases in the price of food products

Consideration should also be given to revenue records. Inaccurate revenue reports caused by reporting errors can distort the ratio of costs to total revenue.

A lower than expected food cost also should be investigated. While it may mean cost control methods are working better than expected, it also could indicate:

- inaccurate inventories
- inaccurate reporting of food expenditures
- service of food portions smaller than requirements
- meal components prepared insufficient quantities to serve all students

There may be a need to adjust the target food cost percentage if the district combines purchased food used with the value of USDA Foods. School nutrition administrators should seek advice from their state agency regarding food cost percentages that include USDA Food values. Using food cost percentages for external benchmarking from state to state may be difficult due to the differences in methods used to inventory purchased food and USDA Foods.

Labor Cost Percentage

A general labor cost percentage is determined by dividing total labor costs by total revenue. This percentage is useful to school nutrition administrators as a benchmark for making comparisons from school to school within a district or from district to district within a state or region. A higher than anticipated cost percentage may be an indication that too many labor hours are being allocated for the number of meals served. The labor cost percentage is calculated using the following formula:

$$\text{Labor Cost Percentage} = \frac{\text{Payroll, Benefits, Other Related Expenses}}{\text{Total Revenue}}$$

Example: A school nutrition operation had an annual payroll, including benefits and other labor expenses, of $400,000 and an annual revenue of $800,000. The annual labor cost percentage is calculated as follows:

$$0.50 \text{ or approximately } 50\% = \frac{\$400{,}000}{\$800{,}000}$$

This percentage tells the school nutrition administrator that for every $1 in revenue earned, $0.50 or one-half of all revenue went toward labor expenses during the period in review. The remaining $0.50 must cover all other expenditures, including purchased food; otherwise the program will have a deficit for the period.

Pricing Meals and Nonprogram Food Items

Reimbursable Meals

Student meal prices in a school district are generally determined by the local School Food Authority with approval from the school board. Student lunch prices are based on annual calculations that comply with USDA Paid Lunch Equity (PLE) requirements. The USDA Paid Lunch Equity Tool is found at www.fns.usda.gov/school-year-2013-2014-paid-lunch-equity-tool

Nonpricing programs, where lunches are served to all students at no charge, are exempt from USDA Paid Lunch Equity requirements.

Adult meal prices should, at a minimum, reflect the most current Federal free lunch reimbursement plus the most current USDA Foods value per meal. If the cost to produce an adult meal exceeds this value, an alternate pricing approach would be to price the meal at a level which covers all costs of production. Prices for reimbursable breakfasts and afterschool snacks should, at a minimum, cover the costs to produce a meal/meal equivalent identified in the school nutrition program.

Nonprogram Food Items

School nutrition program operations must establish appropriate selling prices for nonprogram food items that are sold separately from the school meal. There are several factors that influence prices charged for extra food or à la carte items sold to both students and adults. The factors most likely to influence prices charged for nonprogram food items include:

- demand,
- perception of value,
- relationship between sales prices and volume,
- total costs to prepare the item,
- promotional activities (i.e., pricing foods with high nutritional value lower, such as fruit, to encourage higher sales), and
- what the market will bear.

There are several methods used in the foodservice industry to price food items that are sold individually. Each method helps ensure that in addition to costs, the customer's perception of value for price and the organization's financial goals are considered in setting the selling price. While school nutrition administrators must decide on a method that best fits their district, the two methods discussed below are easy to use and may be a good starting point from which other factors are considered and the price adjusted accordingly.

Method # 1: Desired Food Cost Percent Mark-up

The desired food cost percent mark-up is one of the simplest methods used to determine the price of a food item. Although easier and less complicated to use than other methods, it has some disadvantages in that it only establishes a base selling price and may not necessarily reflect all other considerations. It should be emphasized that because the mark-up is based only on food cost, other factors should be considered before establishing a final selling price.

There are three steps to establish the base selling price for a food item using a desired food cost percent mark-up method.

1. Determine the raw food cost of the item offered for sale.

2. Identify the desired food-cost percent markup for the school nutrition program operation.

3. Establish a base selling price by dividing the item's standard food cost by the desired food cost percent markup.

$$\text{Base Selling Price} = \frac{\text{Item's Raw Food Cost}}{\text{Desired Food Cost Percent Markup (divided by 100)}}$$

Example: A school nutrition program operation sets a goal of 38% as a desired food cost percent mark-up for the school year. Students are allowed to purchase extra slices of pizza with meals.

The raw food cost for one slice (serving) of pizza is $0.52. The base selling price for a slice of pizza using the desired food cost percent mark-up can be calculated as follows:

$$\text{Base Selling Price} = \frac{\$0.52}{38 \div 100 \text{ or } 0.38} = \$1.3684$$

If management prices the slice of pizza at $1.40 (rounded), this provides $0.52 to cover the food cost of the pizza and $0.88 to cover labor and other costs associated with selling students extra slices of pizza. However, if the customer perceives a value of $1.50 per pizza slice as reasonable, then the school nutrition management team may decide to charge the extra $0.10 per slice.

Method # 2: Overhead Contribution + Desired Profit Percentage

This is a modification of the desired food cost percentage. The food cost percentage used in establishing a selling price is determined by first establishing the total cost percentage of all other nonfood expenditures plus a desired profit percent. The percentages for all nonfood costs, including labor, plus the desired profit (net gain) percentage are subtracted from 100 percent, leaving the percentage that is available to cover food costs.

$$\text{Selling Price} = \frac{\text{Raw Food Costs}}{\text{100\% - (Total of Nonfood Cost Percentages + Profit Percentage)} = \text{Percent Allowed for Food Costs}}$$

Assume the cost of a slice of pizza is $.52 and that all nonfood costs including labor make up 65% of total revenue. The school nutrition department has determined that a 5% increase in revenue for nonreimbursable food items is needed in the budget for the current operating year. The base selling price for a slice of pizza can be calculated using the following formula.

Example:

$$= \frac{\text{\$0.52 (raw food cost for 1 slice of pizza)}}{\text{100\% - (65\% for non food cost + 5\% for profit) = 30\% allowed for food cost percentage}}$$

$$\text{Selling Price} = \frac{\text{\$0.52}}{\text{30} \div \text{100 or 0.30}} = \$1.7333$$

If the price is rounded to $1.75 for each slice of extra pizza sold, this provides $1.23 per pizza slice to cover other costs and profit after allowing $0.52 to cover food cost. In this scenario, the customer may perceive the value of a slice of pizza to be less than $1.75. If so, the district will need to identify other areas in the budget to adjust.

The price of any combination of food items that qualify for a reimbursable meal should exceed the price charged for the meal so that is advantageous for the student to purchase the reimbursable meal. Students should be made aware of the cost advantage of purchasing a nutritious reimbursable meal as opposed to selecting food items separately.

School nutrition programs are required to ensure that the total revenue from the sale of nonprogram foods generates at least the same proportion as they contribute to total food costs.

$$\frac{\text{Total Nonprogram Foods Revenue}}{\text{Total Program Revenue}} \geq \frac{\text{Total Nonprogram Food Costs}}{\text{Total Food Costs}}$$

The ***Nonprogram Food Revenue Tool*** is available to help with this calculation and can be found at http:www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP39-2011ar.xls

Productivity

Evaluating productivity is important to the financial success of the school nutrition program. The number of lunches or meal equivalents served per labor hour represents the primary measure of productivity for school nutrition programs. Identifying the rate of production in the school setting is essential in formulating budgets and determining labor needs.

Meals Per Labor Hour

Many school nutrition program administrators use the productivity index of Meals Per Labor Hour (MPLH) to monitor the efficiency of their operation and to determine appropriate staffing. The productivity index helps administrators identify efficient use of their resources. This measure also can help in determining how many employees are needed in a single production unit or throughout the district. The MPLH index most effectively compares labor utilization within a system because labor is dependent on the type of operation used in food production. For example, factors that may affect MPLH as a productivity measure are:

- size of operation,
- number of serving lines,
- type service provided,
- scheduling of lunch periods,
- production system,
- amount of convenience foods used,
- skill level of employees, and
- complexity of the menu, etc.

The MPLH index is calculated on the actual productive, paid labor hours assigned to a school-level nutrition program. The number of paid labor hours includes labor charged to and paid by the school nutrition operation, for managers, kitchen staff, and cashiers. Paid hours for substitutes are included, but not paid hours for sick, personal, or holiday leave.

MPLH can be determined for a school site by dividing the total meal equivalents for a given time period by the total number of productive paid labor hours for the same time period. The following scenario provides an example of how to evaluate the MPLH at a school site.

Example: The school nutrition manager at ABC Elementary School and the district school nutrition administrator agree there is a need to increase productivity at the school nutrition program site. The school nutrition administrator and school manager perform the following calculations to analyze the existing productivity index.

1. Calculate the current total hours of labor paid daily in the school nutrition operation.

Food Service Employees including the Manager

1	X	7	hrs.	=	7
3	X	6	hrs.	=	18
3	X	5	hrs.	=	15
3	X	3	hrs.	=	9
		Total Hours Paid Daily			**49**

2. Calculate the average number of meal equivalents served daily using the FMIS formulas:

3 breakfasts = 2 lunches (2÷3 = 0.66) and 3 snacks = 1 meal (1÷3 = 0.33)

Meal Categories	**Meal Equivalents**
Lunch (student and paid adults)	440
Breakfast (182 x .67)	120
Snacks (75 ÷ 0.33)	25
Nonprogram Sales [200 ÷ (2.93 + 0.2325 ($3.1625))]	63
Total Meal Equivalents	**648**

3. Divide the number of meals or meal equivalents by the number of paid labor hours to determine MPLH.

$$\text{Meals Per Labor Hour} = \frac{\text{Number of Meals or Meal Equivalents}}{\text{Number of Paid Productive Labor Hours}}$$

$$\text{13.22 MPLH} \qquad \frac{\text{648 meal equivalents}}{\text{49 productive labor hours}}$$

After an evaluation of the productivity level is completed, the school nutrition administrator can make a decision regarding staffing. If the evaluation indicates an excess of hours and increasing participation is not an alternative, adjustments in labor hours may be necessary. The following method can be used to determine the number of labor hours needed for the desired productivity level.

1. Decide the desired number of MPLH for the school site. Assume ABC Elementary School set a goal of 17 MPLH based on the type of meal service offered.

2. Divide the total meal equivalents by the desired number of MPLH to determine the total labor hours needed per day.

Example: 648 Total Meal Equivalents
17 Desired MPLH

= 38.1 Total Labor Hours

3. Determine the number of excess labor hours daily that will need to be eliminated.

Example:	Current Paid Labor Hours	49
	Desired Paid Labor Hours	-38.1
	Reduction needed	10.9 labor hours

The school nutrition administrator can make a decision to reduce the hours of employees or eliminate positions to increase MPLH.

NOTE

The number of *paid labor hours* includes all labor charged to and paid for by the school nutrition operation. For example, if labor hours for cashiering, or ticket selling were paid by school nutrition, they would be included in the total number of paid labor hours when calculating the productivity index of meals per labor hour.

Volunteer labor

The number of Meals Per Labor Hour does not include volunteer labor. If volunteer labor is used, then an additional measure of productivity must be calculated using total number of labor hours (both paid and unpaid). This measure should not be compared to an operation using a productivity index to calculate meals per labor hour formula because the comparison would not be valid. The operation using unpaid volunteer labor could have a higher number of Meals Per Labor Hour than one using only paid labor.

Average Daily Participation

School nutrition program administrators must have accurate information about the average number of students who will participate in the school meal programs on a daily basis. Average Daily Participation (ADP) is used to determine staffing needs, purchase food and supplies, and schedule food production. Knowing the average participation over a period of time can assist school nutrition administrators in making better financial management decisions that strengthen their programs' resources.

Average Daily Participation can be used as a forecasting tool to:

- prevent waste in excess labor hours and overproduction of food, and
- reduce customer dissatisfaction because of inadequate staff and too little food prepared for the number served.

Student participation in the school meals program may vary depending on variables such as:

- percent of paid, free, and reduced price meals served,
- rural or urban location,
- age or grade level of participants,
- closed or open campus,

- school or district regulations (i.e., number and length of lunch periods),
- competition from other foodservices (i.e., fast food restaurants), and
- weather conditions.

Such differences must be taken into account when comparing participation rates between schools/districts in order to obtain an accurate picture. Average meal participation per day can be calculated by dividing the number of meals served during the month by the operating days in the month. Typically, participation is determined separately for breakfast, lunch, and other meal services offered. The formulas for calculating the average daily participation for lunch and breakfast are as follows:

$$\text{Average } \textit{Lunch} \text{ Participation Per Day} = \frac{\text{Number of Lunches Served in a Month}}{\text{Number of Operating Days in Month}}$$

$$\text{Average } \textit{Breakfast} \text{ Participation Per Day} = \frac{\text{Number of Breakfasts Served in a Month}}{\text{Number of Operating Days in Month}}$$

Example: A school nutrition program operation served 2,000 free student lunches, 850 reduced price student lunches, 3,000 paid student lunches, and 200 adult lunches during a month with 20 operating days.

$$292.5 \text{ or } 293 = \frac{5{,}850}{20}$$

The school also served 800 free student breakfasts, 300 reduced price student breakfasts 600 paid student breakfasts, and 150 adult breakfasts during the month.

$$85 = \frac{1{,}700}{85}$$

Average Daily Attendance

This school had an average district participation of 293 lunches and 85 breakfasts per day for the month.

In addition to determining the Average Daily Participation (ADP) numbers, it is helpful to know the ratio of students eating a school meal to the average number of students attending the school.

USDA calculates Average Daily Participation based on daily attendance rather than enrollment. Calculating average daily participation in this manner is considered fairer to schools as the calculation does not include students who are absent or do not eat lunch or breakfast. There are two components to calculate average daily attendance:

- Obtain the average daily attendance number from the school
- Obtain the number of students who do not have access to the meal service

- 1,400 students attend the school on average
- 200 students do not have access to lunch because they are half day kindergarten students
- 1,400 – 200 = Average Daily Attendance of 1,200 students

Calculate the average daily lunch participation rate:

$$\text{Breakfast Participation Rate} = \frac{\text{Breakfast ADP}}{\text{Average Daily Attendance}}$$

$$\text{Lunch Participation Rate} = \frac{\text{Lunch ADP}}{\text{Average Daily Attendance}}$$

Example: For the reporting period of October, a school district calculated an Average Daily Attendance of 7,710 on any given day. It calculated that an average of 1,754 students ate breakfast on a daily basis, and an average of 4,959 students ate the reimbursable lunch.

The average participation rate for breakfast among students in attendance during October:

$$0.2274 \text{ or } 23\% = \frac{1{,}754}{7{,}710}$$

The average participation rate for lunch among students in attendance during October:

$$0.6432 \text{ or } 64\% = \frac{4{,}959}{7{,}710}$$

Section 5
Budgeting

Section 5

BUDGETING

A budget is a formal written statement of management's plans for a specified period of time, expressed in financial terms. It charts the course for future action. Budgeting embraces both accounting and management functions. It serves as a management function because it is a plan that will be used to assist in decision making, establishing objectives, and setting priorities. Budgeting is also an accounting function because the plans are translated into financial terms. No other instrument contributes more directly to effective management than a budget.

The budgeting process for the school nutrition operation shares more similarities to private enterprise operations than to other funds in the school district. A school nutrition program is a business-like operation in which direct services are provided to consumers and must be financed primarily through the sale of products and services. Although revenues for school nutrition come from a variety of sources, local, state, and federal, almost all are tied to customer participation.

Budget preparation requires substantial time and effort on the part of the school personnel involved in the process. To develop a practical and accurate budget, the school nutrition administrator must understand:

- the benefits of preparing a budget,
- the factors that influence budgeting,
- the methods of budgeting,
- the budgeting process, and
- how to analyze and adjust the budget

Benefits of Preparing a Budget

A budget is central to the successful operation of the school nutrition program. The budget forecasts the amount of revenue that will be available, determines how it will be allocated for expenditures, and predicts how much money will be in the fund balance at the end of the closing period. The budget can be used to:

- establish specific future goals,
- evaluate past activities in relation to planned activities,
- prescribe the formation of work plans,
- forecast the amount of revenue that will be available,
- predict how funds will need to be expended,
- measure actual results against planned or desired results,
- identify potential problem areas that need attention,
- estimate what will be available at the end of the budget period, and
- serve as a public information system.

Factors that Influence Budget Development

There are several factors that must be considered by the school nutrition administrator during the budgeting process. Those factors include the following:

- Historical Trends - Are trends emerging in the number of reimbursable meals sold over the past two or three years? Do historical data indicate an increase or decrease in the percent of nonprogram sales to total sales? Have special functions/catering services increased, decreased, or remained the same?

- Participation Rates - Is the school district in a period of increasing or decreasing enrollment? Does the school district plan a marketing campaign to increase participation? Are there anticipated changes in the number of students qualifying for free/reduced meals that might affect overall participation? Are there operational improvements such as upgrades in school nutrition facilities that might result in increased participation? Do all students have access to school meal programs?

- Federal and State Reimbursements - How much will federal reimbursement rates increase (or decrease)? Will there be a change in the state reimbursement? What will be the estimated dollar value of USDA Foods? Is the cost of USDA Foods delivery expected to increase?

- Operational and/or Program Changes - Are there new federal program regulations that will increase costs due to implementation? Are timesaving techniques being planned that will lower labor requirements? Are new services being planned to increase revenue?

- Increased or Decreased Program Costs - Do market reports indicate expected increases or decreases in the price of food, supplies, or services? Are raises planned for employees? Will benefits, such as health insurance, be added or increased in cost?

- Changes in Meal Prices - Will the price of lunch, breakfast, or nonprogram foods increase? Will a meal price increase result in fewer students and teachers eating school meals? Are there plans to increase the charges for special function and catered meals?

Methods Used in Budgeting

There are three commonly used methods for budget planning. They are as follows:

- Incremental (Baseline) Budgeting - In incremental budgeting, the budget for the current year is the starting point for the new budget. Adjustments are made to the budget to allow for differences in activities planned for the next year and the activities in the current year. Adjustments are also made to reflect expected changes in revenues and expenditures. The advantages of incremental budgeting are that it is less time-consuming and that it may be the best method for budgeting basic cost items (e.g., communication charges or waste management). The disadvantages of incremental budgeting are that existing budget errors may not be corrected, less planning may go into the budget process, and administrators may not take into account changing program needs.

- Zero-Based Budgeting - The concept for zero-based budgeting is to start with zero and build the budget. It requires that the operation take a fresh look at every expenditure without preconceived notions. Zero-based budgeting better equips management to make decisions when comparing actual program performance to the budget. This method of budgeting most often gives a better estimate of revenue projections and helps create a model for spending by breaking the habit of budgeting nonessential costs simply because they were incurred the prior year. The disadvantages of zero-based budgeting are that it is time-consuming and that some categories in the budget are best estimated based on historical data because they are difficult to calculate from zero. For example, the cost of general supplies may best be calculated by examining existing data for historical usage combined with the projected rate of inflation.

- Combination Incremental and Zero-Based Budgeting - A combination that uses zero-based for some items and incremental for other items is usually considered the best approach for school nutrition program budgeting. Some items in the budget should be based on need without preconceived estimates based on the previous year. For other items, the existing budget need only be adjusted to accommodate price changes. The method used will depend on the item being budgeted and circumstances. For example, if the district anticipates a substantial increase in enrollment due to an influx of people into the community, then both revenue and expense funds directly related to student population should be budgeted from zero. However, if there are no expected changes in student participation, revenue sources, or program costs, then incremental budgeting may suffice.

The Budgeting Process

The basic steps of the budget process may vary from school district to school district. In some school districts, the school nutrition administrator may have sole responsibility for preparing the budget for the school nutrition department. In other districts, though the school nutrition administrator may be involved, the compilation of the total budget may be the responsibility of a business official. Regardless of the process, it is important for the school nutrition administrator to be aware of the budget-planning process. If the budget is going to be an effective financial management tool, it is important for the school nutrition administrator to work with school business officials to ensure the development of an accurate budget, to review the proposed budget for the school nutrition department before it is finalized, and to establish the budget as a standard against which operations are evaluated. The following steps are necessary during the budget planning process:

- *Establish long-term goals.* What should occur in the program over the next three to five years?

- *Develop a budget plan.* What sources for revenue generation will be considered in development of the budget? What are the categories of expected expenditures? What reports should be included in the budget analysis? Which budgeting method will be used for projecting revenues and expenditures?

- *Project revenue based on all applicable factors.* How much revenue will be available from local, state, and federal sources for student meals? How will an increase in meal price or reimbursement rates affect the revenue? Are adult and other food sales likely to increase, decrease, or remain the same? What are other revenue sources such as interest on bank deposits, food rebates, sale of surplus equipment, and other miscellaneous items?

- *Estimate expenditures carefully.* The heart of the budget preparation is estimating expenditures for the upcoming year. While it is difficult to make an exact estimation, every effort should be made to make the budget accurate. A worksheet with a detailed breakdown of each expense category, similar to the schedules in Section 3, may prove helpful when planning the budget.

- *Review the categories of expenditures.* Is there enough detail to make informed decisions? For example, when the expenditure category of Food is broken into subcategories such as Staples, Frozen, Bakery, Dairy, and Produce, the school nutrition program administrator can determine expenditure allocations and specifically where expenditures should be controlled.

- *Budget for the entire year.* School nutrition budgets may be broken down by months, and the months added together to determine a total annual budget. For instance, the amount budgeted for revenues and expenditures for July will reflect a very different program status than the amounts budgeted for August or September. Regardless of the method, the final budget should reflect an annual financial plan.

Analyzing the Budget

The budget should be analyzed on a regular basis for control purposes. Budget reports should be prepared and analyzed no less than monthly. For example, comparing actual costs with the budgeted amount for a given category may reveal trends or deviation from the standards.

Corrective Action and Budget Adjustment

The school nutrition administrator must stay in control of the budget and adjust as necessary. The end of the school year is too late to evaluate the budget and the budgeting process. It is much better to discover early on that a possible loss situation is occurring, so that an immediate remedy can be sought. When the budget analysis indicates insufficiencies, school nutrition administrators should carefully examine both the revenue and expenditure side of the budget.

Possible questions to ask regarding revenue increases:

- If meal prices increase, how will the district offset the possible decline in participation?
- Can we add catering activities to our operation?
- Would a marketing plan help increase participation?
- Are the customers satisfied? Have we asked them what they would like?
- Do teachers, administrators, and parents understand why revenue must be increased?
- Are there other potential customers for nutrition program services (e.g. Charter Schools, Private Schools, Elderly Programs, Child Care Programs, Juvenile Detention)?

Possible questions to ask when considering the expenditure side of the budget are:

- Have we analyzed program costs according to categories and/or subcategories of expenditures?
- How do program costs in the school's nutrition program operation compare to other school programs or industry standards?
- Have we involved school nutrition staff in the financial management of the operation? Do they have an understanding of the importance of cost controls to the success of the operation?
- If there is a need to reduce costs, are the reductions being made in activities that have less value to the customers?

The budget reports generated from a well-defined financial management information system provide information on operational performance and a detailed analysis of expenditures and revenues. Use of this financial information in decision making allows school nutrition administrators to achieve program goals and effectively manage and improve their program operations.

Sample Budget Reports
School Food Service Budget - Revenue

Breakfast	Number	Price Charged	Reimbursement	Total
Full Price Elementary	13,527	$1.00		$13,527
Full Price Secondary	6,764	1.50		10,146
Reduced Price Elementary	11,623	0.30		3,487
Reduced Price Secondary	5,812	0.30		1,744
Adult Breakfast	0	1.75		0
Full Price Fed. Reimb.	20,291		$0.27	5,479
Reduced Price Fed. Reimb.	17,435		1.25	21,794
Free Student Fed. Reimb.	271,759		1.55	421,226
Sub Total Revenue/Breakfast				$477,403
Lunch	**Number**	**Price Charged**	**Reimbursement**	**Total**
Full Price Elementary	91,209	$2.50		$228,023
Full Price Middle	30,555	2.75		84,026
Full Price High	15,050	2.75		41,388
Reduced Price Elementary	36,597	0.40		14,639
Reduced Price Secondary	18,299	0.40		7,320
Adult Lunch	10,110	2.75		27,803
Full Price Fed. Reimb.	136,814		$0.27	36,940
Reduced Price Fed. Reimb.	54,896		2.46	135,044
Free Student Fed. Reimb..	507,604		2.86	1, 451,747
Sub Total Revenue/Lunch				$2,026,930
Other Reimbursable Meals				
Afterschool Snacks (Free Site)	29,873		$0.78	23,301
Suppers (Free Site)	16,650		2.86	47,619
Sub Total Revenue Other Reimbursable Meals				$70,920
Total Meals Revenue				$2,575,253

Other Revenue

Other Revenue Categories	Notes	Revenue
Nonprogram Food Sales	Extra foods, a la carte, special school events	$113,955
Contract Food Sales	Local organization (private school)	14,200
Interest		3,155
State Reimbursement	District receives one annual payment	18,835
Miscellaneous	Rebates on food, previous year purchases	5,800
Total Other Revenue		$155,945
USDA Foods Value	Based on reimbursable lunches previous year	159,094
Total All Revenue	Breakfast, Lunch/Other Meals, Other Revenue, USDA Foods Value	$2,890,292

NOTE

Check with your state agency for the best method to project revenue from state funds. They may only issue matching funds once a year. If state funds are issued on reimbursable meals served, add another section for state revenue.

School Nutrition Program Budget - Expenditures

Expenditure Category	Projected Cost/Budget
Salaries and Wages	$ 885,170
Employee Benefits	357,150
Purchased Food	1,055,135
USDA Foods Value	159,094
Supplies	260,902
Capital Assets	102,150
Indirect Costs	85,125
Overhead	93,518
Total Annual Expenditures	$ 2,998,244

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