

Required Records

Summary of Required Records

Full and accurate records are required to serve as a basis for the reimbursement claim under the terms of the school breakfast and lunch agreements. All certification records must be kept for a period of five years after the date of certification or until audited to satisfy both federal and state requirements. Other nutrition records must be kept for a period of three years after the current year. Records must be available for audit purposes or review by the state agency.

The Agreement and Free and Reduced Price Policy Statement are both permanent agreements, and must be retained until CDE replaces them with new agreements.

To be useful, the following records must be accurately kept on a current basis and routinely analyzed. The CDE Office of School Nutrition offers sample forms and instructions that can be found at: <http://www.cde.state.co.us/nutrition/nutrifirms>. The district may elect to use the forms provided or may develop other forms more suitable to the individual needs of the district so long as the minimum requirements are met.

Daily

- The Daily Edit Check worksheet documents the number of reimbursable meals served daily by category to eligible students and reported by school food service personnel to district personnel. The particular recording method used must ensure that correct counts by category are reported in a way that can be easily read, edited and consolidated into an accurate monthly claim for reimbursement. A daily and monthly edit check is performed on this worksheet. Refer to the CDE website for a copy in Excel (calculates totals and performs monthly edit checks) and in Microsoft Word. <http://www.cde.state.co.us/nutrition/nutrifirms>
- All electronic point-of-sale systems consolidate counts by category and perform an edit check. These reports may be used in place of the CDE Daily Edit Check worksheet.
- Production Records on all meals served and claimed for reimbursement. <http://www.cde.state.co.us/nutrition/nutrifirms>
- The point-of-service system that connects the application for free and reduced-price meals to the medium of exchange must provide for updates on a timely basis (noting transfers, withdrawals and changes in status due to verification etc.).
- The edit check comparing each school's daily meal count against data that will assist in the identification and correction of claims for reimbursement in excess of the number of reimbursable free, reduced-price and full-price lunches actually served that day to children eligible for such lunches should be performed daily. Such data shall at a minimum include the number of children currently approved for free and reduced-price meals in the school multiplied by the school/state attendance factor (96%).

Monthly

- School meal counts, by category, are submitted to the district on a daily, weekly or monthly basis. The total meal counts, by category, from each school are entered into the CDE online claim system. The CDE Office of School Nutrition is responsible for paying the federal and state reimbursement for the reimbursable meals claimed as served by category during the claiming period.
- Due dates by month are located at: <http://www.cde.state.co.us/nutrition/nutriprogramrenewal>.

Production Records

During an Administrative review, two methods are used to evaluate district menus with regard to meeting minimum requirements of the school lunch pattern:

- Meals served on the day of the review are observed, and
- Menus and production records for previously served meals are examined.

A complete and accurate production record must be maintained on all meals claimed for reimbursement.

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Production records are the districts only record that demonstrates that the meals served and claimed met meal pattern requirements and were thus reimbursable. Keep in mind that this requirement includes breakfasts as well as all lunches, including salad and other food bars, sack lunches, etc. Any meal claimed for reimbursement must be supported by a production record.

Over claims must be assessed for meals served on the day of the review that do not meet the minimum meal pattern requirements. Additional overclaims may be assessed if a school's production records for previously served menus indicate meals were missing components. In school districts with more than one production site, it is wise to consider recording the menus and portion sizes on the production record before it is reproduced and distributed to various kitchens. This is a safeguard against reimbursement being reclaimed due to a busy kitchen manager inadvertently omitting a component from the production record. This is also an excellent method for communicating this information to foodservice personnel.

The CDE prototypes can be found at: <http://www.cde.state.co.us/nutrition/nutriforms>

On-site Monitoring

According to 7 CFR 210.8(a)(1), every school year, prior to February 1, each School Food Authority (SFA) with more than one school (as defined 7 CFR Part 210.2 to include Residential Child Care Institutions (RCCIs) must perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction.

Each on-site review must ensure the school's claim is based on the counting system, as implemented, and yields the actual number of reimbursable free, reduced price, and paid lunches, respectively, served for each day of operation.

If the review discloses problems with a school's meal counting or claiming procedures, the SFA must ensure that the school implements corrective action, and within 345 days of the review conduct a follow-up on-site review to determine that the corrective action resolved the problems.

The On-Site Review Checklist: to assess meal counting and claiming systems is located at: <http://www.cde.state.co.us/nutrition/nutriforms> under Miscellaneous Forms > On-site Review Form

Chart of Accounts

The chart of accounts was developed in response to Section 22-44-105 (4), C.R. S., introduced as House Bill 1213 and enacted by the legislature in 1994. The statute includes the following requirements:

Not later than July 1, 1998, the State Board of Education, with input from the Financial Policies and Procedures Advisory Committee, shall establish and implement a statewide financial, student management, and human resource electronic data communications and reporting system that is based on a redesigned standard chart of accounts, a standard information system, and a standard personnel classification system. The Department of Education and all school districts and Boards of Cooperative Services in the state shall use the system to report and obtain necessary financial information.

The system is developed as a comprehensive budgeting, accounting and reporting code structure for use in school district financial management. All Colorado school districts and Boards of Cooperative Educational Services (BOCES) must use the red version chart of accounts for financial accounting. All expenses related to the administration and operation of the Child Nutrition programs shall be included in the chart of accounts. The entire text with account codes can be found at the following website: <http://www.cde.state.co.us/cdefinance/sfcoa>

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CDE 5 Report

The CDE 5 report is generated annually as part of the December Financial information Automated Data Exchange (ADE) between school districts and the Colorado Department of Education (CDE). The Financial ADE is the upload of financial information to CDE from districts as part of the annual financial audit process. A district's CAFR (Comprehensive Annual Financial Report) cannot be completed until the ADE has been finalized. The CAFR is also sometimes referred to as the audit report and is the document provided when district financial information is requested by outside parties.

The CDE 5 consists of financial information only and does not contain any operational data, such as meals served, labor hours, students enrolled, or students eligible for the NSLP/SBP programs. Individual sites and district totals are aggregated to compile this report.

Format

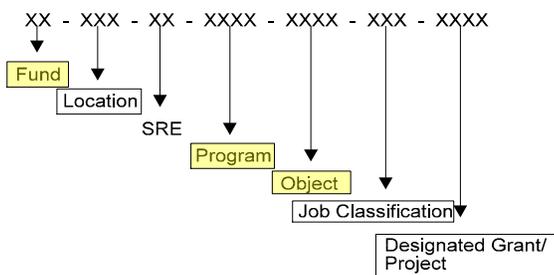
The CDE 5 format is similar to the school district's financial statements. The top of the report shows general information such as the School District Name and CDE Number (upper right) and the fiscal year to which the report pertains (upper middle), and the upper left corner indicates whether the report is final. Only final reports have passed all CDE required edit checks and appear in the published district financial statements.

The remainder of the CDE 5 represents the financial information reported by the district for the child nutrition programs. Revenues are reported first, expenditures next, with data such as operating resources (fund balance) and transfers shown at the bottom of the page. Columns A to F are used to separate program information, with column G reporting total district results.

Information contained in the CDE 5 is reported in a format based on the CDE Chart of Accounts, which all districts are required to maintain. All financial information submitted by a district must be in this format which makes school-to-school and district-to-district comparisons more accurate and meaningful.

The CDE 5 reports child nutrition information by source code and object code, which are the 12th to 15th digits in the account number. The remaining account information is not shown on the CDE 5.

The following is a diagram of the account code structure (total of 22 digits) as required when reporting financial information to CDE.



Fund – Food Services is always 51. This fund is required.

Location – School number assigned by the district (not the CDE site number)

Program – Food Services will be coded as 31XX.

Object/Source Code – These numbers appear on the CDE 5 in the 2nd column.

The following is an example of a Food Services Account:

51-301-31-3100-0630-000-0000

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Districts can have their own internal chart of accounts, but it must be in the above format when reporting information during the ADE. Most Food Services departments do not utilize the entire 22 digits but they should be aware of the four elements underlined above or any other codes the district may assign to them.

Revenue

District food sales receipts are reported separately by source code (where the funding comes from) and by program code (Column A - F). The more programs a district participates in, the more columns will be populated under the revenue section.

The state requires districts to report revenues under specific source codes. This allows CDE to compare district information with state information to ensure that all revenue is reported correctly at both the state and school district level. The district cannot finalize their financial reports until their records reconcile to state information.

On the CDE 5, you will see the following revenue codes.

Source

<u>Code</u>	<u>Description</u>	<u>Where the funds originate.</u>
1610	Children	Revenue from student sales (not ala carte)
3161-316X	State Revenue	Revenue from state sources (such as Start Smart)
4000,4020	Federal Reimb.	Revenue from federal reimbursement
5210	Transfers	General Fund transfers to support Nutrition
XXXX	Other	Ala Carte / Other Sales

These numbers can give you some valuable information concerning the district you are reviewing. A large Federal Reimbursement amount in comparison to student revenues might indicate a high free/reduced population. A larger student revenue amount might indicate the opposite. It also should be noted that all ala carte sales will be reported under line 5 "Other" in column F.

If a district has a relatively large dollar amount in code 1610 or ala carte sales, district cash handling procedures should be discussed with food service personnel. Adequate internal controls (checks and balances) should be in place to ensure that cash transactions are being properly recorded in the fund's financial records. This is an area that has the potential for significant errors and/or omissions.

If the district's general fund is subsidizing (supporting) the child nutrition programs with funds, it will be reported on line 4. This is a good starting point when determining if the programs are operating at a break even status.

Line 6 is the total child nutrition revenue from all sources.

Expenses

These are the costs incurred to operate the various nutrition programs. Most districts report these costs in two categories – combined breakfast/lunch (column A) and other (column F). Districts are no longer required to report lunch and breakfast expenses separately.

When reviewing the CDE 5, the total food/milk and salaries/benefits costs should be compared to total district revenue. These two categories should account for the largest percentage of expenses by the department. Due to the large differences in food services operations, there are no guidelines for what constitute large or unusual labor or food costs. However, determining a district's food or labor cost as a percentage of total revenue (total expense/total revenues) can give an indication of the district's overall operational cost structure. When

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performing this type of analysis, general fund transfers should be excluded from total revenue as it can lead to inaccurate results.

Purchased Services and Other Supplies/Materials are the remaining operational costs of the department. These items include such expenses as paper goods, printing costs, other non-food supplies, etc. which are used within one year of purchase. In most districts these costs will not account for a large percentage of total expenditures.

Equipment costs are for durable items that have a useful life in excess of one year but are not being depreciated. Many times these items are not depreciated due to district policies or guidelines (usually a dollar limit) as to when items are to be capitalized and depreciated. Food service personnel should understand and be able to explain district policy regarding equipment and depreciation.

Depreciation is the annual cost of an asset that has a useful life beyond one year and meets district capitalization policies. These items include ovens, steam tables, etc. which the district can use for many years. The district should have a depreciation schedule that provides the detail of all of the items and the amount of the expense. Compare the schedule with the amount reported on the CDE 5. They should reconcile. Investigate any discrepancies and discuss with food service staff.

Indirect costs (also termed “overhead”) are those costs a district incurs that are “shared” across various departments and programs. These costs are not always easily charged to a specific area so they are allocated among all the areas that use these services. Examples of indirect costs include: Payroll services, utilities, trash removal, etc. Some districts pay for these services directly and report no indirect costs. Food service personnel should understand how any indirect costs are calculated and charged to the department.

The CDE 5 totals all nutrition costs and reports them on line 16. You need to manually subtract line 16 from line 6 (total revenues) to determine if the department generated sufficient revenue to cover expenses.

Other Operating Data

This section includes data on the amount of funds available to the department and the amount of transfers (if any) made between the food services fund and other district funds.

Line 17 shows the current operating resources available as of the end of the fiscal year to Food Services (Fund Balance). State and Federal guidelines require this amount to be approximately 3 months operating expenses (line 16 times 30%). State board rules concerning charges to Food Services require that **“Under no circumstances may the amount recovered cause the Current Operating Resources to fall below a level of 30 percent of the total operating cost from the prior school year’s financial data as reported to CDE.”** This follows federal regulations requiring a school food service authority to “Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service” 7 CFR 210(b) (2). For purposes of the CDE 5, current operating resources do not include the value of commodities or the compensated absences liability of the fund.

Current operating resources will vary significantly. Some districts will have negative operating resources while others will have a large positive balance. If the balance is over the 30% rule or is negative, it is important to determine what has led to the balance and what steps (if any) are being made to correct it.

Direct costs reported on line 18 are those attributable to the nutrition programs but not charged to the food service fund. This amount will almost always be reported as \$0 on the CDE 5.

Cost recoveries and transfers to the general fund are those amounts either transferred to (negative amount) or

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from (positive amount) the general fund. A positive number is an indication of the amount (if any) the school district subsidizes food services from other sources. If this amount is excessive and/or continues for a substantial period of time, it is an indication that the food services fund is not operating at a break-even point. Any significant amounts or major changes from year to year should be discussed with district personnel.

Summary

The CDE 5 report contains a significant amount of financial information regarding district food service operations. It is a good starting point in understanding district nutritional operations, but it is general financial information only. Specific information can be obtained only by discussions with district personnel.

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11:13 AM
Number

Colorado Department of Education
Name
School Year ending June 30, 2007

ARAPAHOE CHERRY CREEK 5

District

XXXX ←

District

Child Nutrition Programs Operating Report (CDE-5)

Final Report Yes XX No

Line Source No. Codes	REVENUE:	National School Lunch Program (CFDA 10.555) ** A **	School Breakfast Program (CFDA 10.553) ** B **	Special Milk Program (CFDA 10.556) ** C **	Summer Food Service Program (CFDA 10.559) ** D **	Team Nutrition (CFDA 10.574) ** E **	A LA Carte ** F **	Total All Programs ** G **
1	1610	Children	4,139,475	167,712	0			4,307,187
2	3161-3162	State Revenue	169,380				0	169,380
3	4000,4020	Federal Reimbursement	3,493,592	562,546	0	0		4,056,138
4	5210	Transfers from General Fund					0	0
5	See notes (1) & (2)	Other				0	4,205,189	4,205,189
6		Total Revenue (lines 1 - 5)	7,802,447	730,258	0	0	4,205,189	12,737,894

Object Codes Programs	EXPENSES:	Combined Lunch and Breakfast	SMP, SFSP and A La Carte	Total All	
7	0630	Purchased Food and Milk	4,983,459	1,880,443	6,863,902
8	0100-0299	Salaries and Benefits	3,352,747	1,265,115	4,617,862
9	0300-0599	Purchased Services	258,455	97,525	355,980
10	0600-0699 <0630,0633>	Other Supplies and Materials	348,311	131,431	479,742
11	0730,0735	Equipment	0	0	0
12	0740	Depreciation	126,992	47,919	174,910
13	0800,0810,0850,0851,0890	Other Direct Costs	0	0	0
14		Subtotals (lines 8 - 13)	4,086,505	1,541,989	5,628,494
15	Overhead	INDIRECT COSTS: Total Indirect (line 14 times rate) Rate: 0.1388	567,207	214,028	781,235
16		TOTAL COSTS: Total Direct and Indirect (Sum lines 7, 14 and 15)	9,637,171	3,636,460	13,273,631
17		OTHER OPERATING DATA: CURRENT OPERATING RESOURCES: (As of June 30)	4,128,477		
18		DIRECT COSTS: Other than Food Service Fund	0		
19		COST RECOVERIES AND TRANSFERS TO GENERAL FUND:	-715,500		

Notes

- (1) Column E. Source Codes: 4000 and Grant/Project Code: 4574.
- (2) Column F. Source Codes: 1500-1900 <1610> <1740> <1800> and Grant/Project Codes: 4558,7564.

Questions & Answers

Online Claim System

1. What is the procedure for combining more than one month on a monthly claim?

Up to ten (10) operating days may be claimed with a preceding or subsequent month's claim at the beginning or end of the school year. For example, the last few days in August at the beginning of the school year may be combined with the September meals on the September claim; likewise, the June meals may be combined with the May claim.

However, due to the federal fiscal year, no meals served in September may be included on the October claim, and no meals served in October may be combined with the September claim.

2. What is the time line for submitting a claim?

All claims must be submitted on a monthly basis. Claims must be submitted no later than 60 calendar days following the last day of the month claimed.

3. Can a claim be revised?

Yes, a district can revise a claim. However, if it is an upward revision, the adjustments must be submitted within 90 calendar days following the last day of the month for which the revision is being made.

4. What happens if a claim is not submitted on time?

Claims submitted beyond the 60 days may be granted a one-time exception waiver. When a one-time exception is granted, the district is placed on a 36-month probation with no further exceptions allowed. Contact the Office of School Nutrition for the procedure.

5. Is it necessary to complete a claim during the months that school is not in operation?

No. Submit claims only for the months in which the program(s) operate.

Special Record Retention Considerations - Free and Reduced Price Meal Applications

Free and Reduced Price Meal Applications must be kept on file for a period of five years after the date of certification or until audited, per state regulations. Per federal regulations, they must be kept for 3 years after the current school year.

It is permissible to keep an electronic file of the applications, providing that they are filed as an image that preserves the signature, and must be readily retrievable by school. It is important that they be maintained in a file format that can be retrieved regardless of the software version or manufacturer that created the file, or the software version or manufacturer currently in use. Check with your software vendor(s) to prevent irretrievable records and subsequent audit findings.