

FPP Presentation Item:

Given that today, with many USDA donated foods (commodities) being processed into commercial products, making it difficult to distinguish between them, a school food authority (SFA) is allowed to use a single inventory.

The provision under §250.59(c) provides for the following:

(c) Storage by school food authorities. The school food authority may store and inventory donated foods together with commercially purchased foods and other foods, under a single inventory management system, as defined in this part, unless the distributing agency requires donated foods to be distinguished from commercially purchased foods in storage and inventoried separately. We have confirmed with Colorado Department of Human Services (CDHS) that they do not have a requirement to isolate donated foods.

Per the FPP Handbook (page 59), an inventory of all purchased food and expendable non-food supplies must be taken annually at a minimum. This inventory can be a perpetual inventory as long as it is verified by an actual physical inventory taken annually. With regard to USDA donated foods (commodities), the FPP Handbook provides for these to be inventoried annually and valued at the USDA pricing levels. It also provides for a provision that commodities should be handled pursuant with procedures established by the food distribution unit of the Colorado Department of Human Services. As CDHS allows a single inventory system, such a system may be used instead of isolating the commodities inventory.

Therefore, the USDA donated foods (commodities) must be recognized as revenue (source code 4010, with appropriate grant code such as 4555) when received. The SFA must also recognize an expenditure (object code 0633) in the amount of this recognized revenue for the fiscal year. Since the SFA has received title to the commodities, the unused commodities do not need to be reflected as unearned revenue. Under this treatment, if a single inventory system is being used, the activities (additions, uses, and adjustments) of all commercially purchased foods together with the USDA donated foods would be accounted for under the balance sheet code of 8171 or 8172, with the use of object code of 0630 for such change tracking. (We sometimes see the food items under 8172 – inventories for resale and the non-food supplies being reported under 8171 – inventories for internal use.) The balance sheet code of 8173 – commodities inventory no longer needs to be used.

Some additional comments related to USDA donated foods:

- With the change to the Special Revenue Fund treatment, please note that the inventory value reported as an Asset as of June 30th normally should also be reported as a non-spendable portion of the fund equity section as balance sheet code 6710.
- As the USDA donated foods are being provided by the Colorado Department of Human Services (CDHS) and not CDE, this should be noted as such on the Schedule of Expenditure of Federal Awards (SEFA). The footnotes to the SEFA should also disclose the non-cash nature of the USDA donated foods.
- For FY14-15, we have a report from CDHS that notes the total amount of USDA donated foods usage. However, it has come to our attention that a portion of the USDA donated food usage may have been provided through a Department of Defense (DoD) commitment to provide fresh fruit and vegetables. This DoD portion should be included in the total value of USDA donated

food being reported by the SFA. However, this DoD portion is not included in the current recap report being provided by CDHS. We are working with CDHS to produce a complete usage report, to include the DoD portion for FY15-16 reporting to assist the SFA in its reconciliation and reporting process.

- With the change of the food service fund to a Special Revenue Fund, please note that the statutory provision related to not reporting an ongoing deficit will be determined based on the negative reporting of an unassigned fund balance (balance sheet code 6770) as of June 30th. Per GASB Statement No. 54 guidance, a negative amount should only be reported as “unassigned” for the governmental funds.

Let me know if you have any questions about USDA donated food, or any of the comments noted in this memo at weber_k@cde.state.co.us or 303-866-6610.

Thanks, Kirk