Definitions

Bad Debt

Donations

Unpaid Meal Charges

The amount due and payable, to the food service fund, for meals already provided to the student.  Such charges must be reported as an accounts receivable in the food service fund.

Delinquent Debt

When payments are overdue and efforts are being made to collect the debt.

Bad Debt

When further collection efforts for delinquent debt are determined to be unproductive or too costly, the uncollectable debt is reclassified as bad debt.

How to report donations for bad debt

If the donated funds are to be used to cover bad debt, the district must deposit donated funds outside of the food service fund, as source code 1920. The amount of bad debt covered by donation revenues must be removed from the balance sheet of the food service fund with a credit to accounts receivable and a debit to the cash or due from account. The bad debt must be transferred to the general fund or other grant fund, with a debit to code 0890 and a credit to cash or due to account. Given that bad debt must not be reported by the food service fund, per federal regulations, the donated revenues being used to cover bad debt must not be reported by the food service fund.

*All nonfederal funds that are used to cover unallowable costs, including bad debt, must be maintained in a separate account, outside of Fund 21 - food service fund.*

*Once delinquent debt is reclassified as bad debt, it must be written off as an operating loss. The food service fund must not be used to cover costs related to the bad debt, such as continued legal and collection costs*.

Resources

Please visit our webpage for [Unpaid Meal Charges](http://www.cde.state.co.us/nutrition/financialunpaidmealcharges) resources.

For more information on bad debts, please see memo [SP 47-2016 – Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments](http://www.cde.state.co.us/nutrition/usdamemosp472016scollectdelinquientmealpmnts)

Reminder – All school food authorities are required to have a meal charge policy by July 1, 2017.