# School Food Service Funds

#### Use of School Food Service Funds

Food service accounts are required to comply with generally accepted accounting principles, including the annual budgeting process. However, there are certain provisions of the National School Lunch and Child Nutrition programs that differ from other funds, programs and accounts. Special provisions that should be considered when budgeting for the food service program follow:

- 1. All revenues received by or accruing to the school food service account must be used only for the operation and improvement of the food service program. Revenues include, but are not limited to, receipts from (1) operations of the lunch and breakfast programs; (2) snack bar and a la carte programs; (3) earnings on investments; (4) other local revenues; and (5) federal reimbursement received by or accruing to the school food service. Food service account funds may not be used for expenditures that are not directly related to the food service operation although they are part of the district's general fund. Any positive balance remaining in the food service account at the end of the school year must be carried over to the next school year as a beginning balance in the food service account.
- 2. To maintain the non-profit status of the National School Lunch and Child Nutrition programs, the current operating resources of the food service account should not exceed three months' average expenditures. If an excess balance should occur, the school must immediately take steps to reduce the balance or have an acceptable plan for using surplus revenues. The plan must be submitted to the CDE, Nutrition Unit. "Any surplus accruing from the program shall be used to reduce the price of meals to children, to improve the quality of the meals, to provide basic supplies, to replace equipment, and to make repairs to equipment. All other expenses are the responsibility of the district from other district funding sources." (State Board Rules 1CCR 301-3, 206-2)
- 3. "For each school year, indirect costs may be recovered from the food service fund, but shall be limited to that amount established by the approved nonrestricted indirect cost rate from the prior school year's financial data as reported to CDE. 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. Current Operating Resources is defined as current assets less current liabilities, except that current assets shall not include the value of USDA donated foods for the purposes of computing Current Operating Resources."

"Any indirect costs recovered from the food service fund must first be reduced by any amounts directly assessed from the food service fund relating to the indirect cost areas as defined in the indirect cost rate agreement between CDE and the U.S. Department of Education." (State Board Rules 1 CCR 301-3, 206.05)."

#### **Expenditures**

All food service expenditures must be categorized according to the CDE Chart of Accounts. Itemized receipts, invoices and/or canceled checks should document expenditures.

To be allowable, expenditures must be necessary and reasonable for proper and efficient administration of the programs and conform to any limitations or exclusions set forth in program regulations.

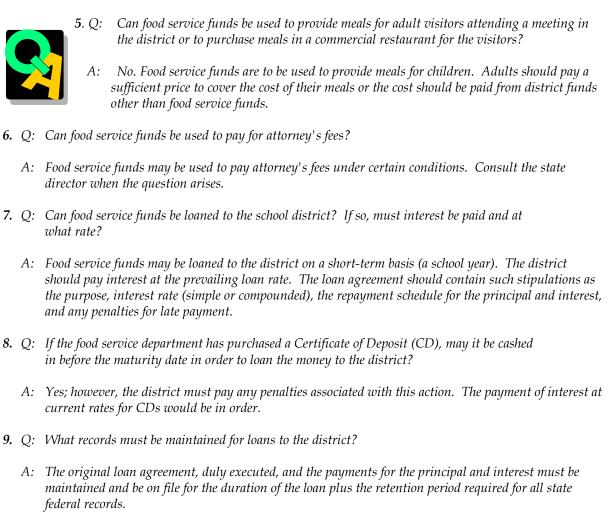
The types of allowable and non-allowable expenditures that may be made by schools operating the school food service programs under the National School Lunch Act are listed on page 6.2. For specific expenditures not listed or for further interpretation of those listed, contact the state office.

#### Retroactive Designation of a Loan to the School Food Service Account

USDA has ruled that a school district may not retroactively determine that funds transferred from the general fund to cover school food service deficits are to be considered a loan subject to repayment.

- 1. It is required that for a liability to exist, a bona fide loan agreement must be in effect at the time that the funds are transferred. This means that a fund transfer cannot be retroactively designated to be a loan. Documentation that school food service incurred deficits in past years that were covered by local contributions is not sufficient to substantiate the claim that the monies were transferred with the intent to be repaid.
- 2. The conditions for repayment must be documented and agreed to by both parties, the general fund manager and the food service department. It should be noted that an interest payment is a non-allowable program expenditure.
- 3. Provided that a bona fide loan agreement exists at the time that funds are made available, short-term or multiyear obligations are permissible.

1.	Q:	What are the limitations on the use of school food service funds?
	<i>A:</i>	All revenue received by or accruing to the school food service may only be used for the operation or improvement of the program. This includes earnings on investments and means that if food service funds are used totally or in part for investment purposes, then the interest earned from such investments must accrue to the food service account and be used only for authorized program purposes.
2.	Q:	Can food service funds be used to pay for janitorial and maintenance workers, secretarial staff, etc.?
	A:	Yes, but only for service <b>actually</b> performed for the food service operation. Only that portion of the salaries of janitors, maintenance persons or clerical staff that pertain to duties performed for food services may be charged to the food service account.
3.	Q:	Can food service funds be used to pay for publishing the free and reduced-price guidelines at the start of school?
	A:	Yes, but this is not required in that the district's responsibility is fulfilled by disseminating the press release to the media as a public announcement. The district does not have to pay to have it published.
4.	Q:	Can a school district charge the food service account rent or usage fees for cafeterias, kitchens or storage facilities?
	<i>A:</i>	The school district is not allowed to charge rent to the food service program for district-owned facilities. <i>Questions continued on next page.</i>
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- **10.** *Q*: Is it allowable to use non-profit school food service to pay for an awards dinner at a local restaurant to recognize the achievements of food service staff in areas such as increased participation, expanded nutritional information and education, or increased productivity?
  - A: Factors affecting the allowance of school food service for activities as described above must meet certain criteria. In a general sense, the activity must be part of the school district's established practice, be reasonable and necessary, and be consistent with regulations, policies and procedures that apply uniformly to both federally assisted and other activities of the district (be consistent with the use of local funds).

	for Reducing Excessive Operating Balance	
	County/District Number:	Date:
	School District Name:	
	Address:	
	City:	ZIP:
	Telephone Number: _()	
The a	above named school district hereby submits the fo lservice balance. This plan will be completed by	ollowing plan to reduce the excessive operating
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Aver	rage Monthly Expenditure: \$	
Brief	fly Outline Plan:	
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(Signature of Colorado Dept. of Education Director)

#### Food Taken from Schools

The breakfast and lunch programs are designed to serve children. No food, not even leftover food, is to be taken from the premises, unless the food has been purchased and the proceeds deposited in the food service program account. In addition to the food being misused, taking food from the lunchroom may cause a serious public relations problem by causing people to lose faith in the integrity of the program(s).

The above does not prohibit students or adults from taking all or portions of their own breakfasts or lunches purchased or provided free to eligible students from the cafeteria if approved by the local school.