



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING



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SUPERINTENDENT OF
PUBLIC INSTRUCTION

April 13, 2009

MEMORANDUM

TO: Local and Intermediate School District Superintendents, Public School Academy Directors, and Nonpublic School Administrators

FROM: Carol Wolenberg, Deputy Superintendent *CW*

SUBJECT: School Meals Program Year End Report for School Year 2008-2009

By July 31st of each school year, all public schools, public school academies, intermediate school districts, and private schools are required to complete the School Meals Program Year End Report. The Michigan Department of Education (MDE) has reviewed all recent reports and found several commonly occurring issues on the reports submitted by schools. Schools are being asked to pay particular attention to the areas identified below when preparing and completing the Year End Report for School Year 2008-2009.

Cost Allocation Percentage Table - Accurate Allocation of Cost Percentages

The Cost Allocation Percentage Table is used to assign cost among the various operational centers or programs. When allocating cost among these operational centers or programs, some schools have been found to be using the same allocation percentages for salaries, benefits, contracted services, transportation, supplies, depreciation, and food cost. Percentages should be allocated based upon Labor and Food Cost Studies so that appropriate cost can be assigned to the operational center or program. As a result, the school will be able to determine a more accurate per meal cost for lunch and breakfast. The completion of Labor and Food Cost Studies is outlined in the *Related Topics* attached with this memo.

A la Carte Cost vs. A la Carte Revenue

A la carte revenue is derived from the sale of any food or beverage that has not been claimed as part of a reimbursable meal. When allocating cost to this operational center or program on the Cost Allocation Percentage Table, schools should remember that this program is the least labor intensive of all the programs and correctly assess the percentage of labor cost allocated to it.

Cost Allocation Sheet – Reasonable Per Meal Costs

When completing the Cost Allocation Sheets, schools should compare last year's per meal cost for lunch and breakfast with the meal costs that are determined for the

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2008-2009 school year. If this comparison is made, errors could be corrected in the Cost Allocation Percentage Table before the report is submitted and certified.

Depreciation

School food service programs should develop a depreciation schedule for costs associated with capital goods greater than \$5,000 in value. Capital goods would include food service equipment, vehicles, and computer equipment. Depreciation is determined by dividing the cost of the equipment, including the delivery and installation, by the number of years of its life. Depreciation is reported as a cost on line 8, Column C of the Cost Allocation Report. The depreciation schedule should be updated every year when equipment is added or removed from this schedule. The completion of a depreciation schedule is outlined in the *Related Topics* attached with this memo.

Meal Cost Difference Justification

When certifying the Year End Report, the Meal Cost Difference Justification box may be displayed on the Main Page if the per meal cost for lunch and/or breakfast has significantly changed from the prior school year. Schools need to compare last year's costs and number of meals served for breakfast and lunch with the current year. A detailed explanation must be provided to explain why the school district's per meal cost has significantly changed from one school year to the next. Do not simply copy and paste last year's justification in the box.

Rebates

Rebate checks that are received from food manufacturers or vendors are to be deducted before reporting the total food cost under Column C, line 9 of the Cost Allocation Sheet. This rebate check cannot be reported as revenue under Miscellaneous Revenue, line 8 of the Revenue and Balance Sheet.

Revenue and Balance Sheet - Beginning Balance

The Beginning Balance, line 1 of the Revenue and Balance Sheet, must be the ending balance reported on the school district's audit report from the prior school year. The ending balance from last year's Year End Report is not to be used as the beginning balance on this year's report.

Private schools that do not have an audit report can determine the beginning balance by adding together (1) the value of their ending inventory as of June 30, 2008 and (2) the ending balance in their non-profit foodservice checking and/or savings account as of June 30, 2008.

Revenue and Balance Sheet - Miscellaneous Revenue

Miscellaneous Revenue, line 8, is used to report revenue that is added to or taken out of the food service fund. A detailed description must be provided of the positive and/or negative revenue that is reported on this line in the adjoining text box. **Line 8 is not**

to be used to report the market value of commodities as cash. The market value of commodities is always reported on the School Audit Report not on the Year End Report.

Use of Year End Report Cost Data

The MDE has three mandated uses for the data collected on the Year End Report. One is based on federal regulation; the other two are used for calculating state payments.

- The United States Department of Agriculture (USDA) requires that the ending balance of the non-profit food service fund does not exceed three (3) months operating expense. Schools that have a large fund balance will be required to develop a spending plan for reducing the balance to an acceptable level during the following school year.
- The State of Michigan makes supplemental payments to **public** school districts for the mandated lunch and breakfast programs. The state supplemental payment for lunch is Section 31d of the state aid payment which is paid over eleven months (October through August). This payment reimburses districts for 6.0127% of the necessary costs of operating the school lunch program. Each current year payment is based on an estimate until final cost data can be obtained to recalculate the actual amount of 31d that is due. At that time, an adjustment is made through state aid.
- The state supplemental breakfast payment is Section 31f of the state aid payment. The calculation for determining this payment includes the revenue received as well as the cost of operation for the breakfast program. The payment is disbursed as a Prior Year Adjustment through state aid in the fall of each year.

If you have questions regarding the School Meals Program Year End Report, please contact Dawn Lake at laked@michigan.gov or 517-373-9785.

Attachment

cc: Business Managers
Food Service Directors