

**Michigan Department of Education
2011 Year End Report for the
School Meals Program
Frequently Asked Questions**

The person completing the Year End Report should consult with their business manager and/or audit firm. In addition, the source and specific types of income and expense reported for each line item should be documented for future reference.

Amending the Year End Report

If our audit is completed after the Year End Report has been submitted, should we amend it?

Yes, if the audit results in a change in the cost per meal for breakfast or lunch.

Beginning Balance

What should be reported as the **Beginning Balance** on the Revenue and Balance Sheet?

The Beginning Balance comes from the auditor's report from the prior school year. Check with your business office for the audit report.

Bank Charges

Where are **bank charges** for bad checks reported when they are uncollectable from the student/parent?

Report this as a negative expense on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8.**

Beverage Consortium Revenue

Where is revenue from a **beverage consortium** contract reported?

It is reported on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8.**

Commissions

Where are **commissions** from vending sales reported?

Report commissions on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8.**

Donations/Memorials

Where are **memorials** and other **donations** to the food service program reported?

Report memorials and other donations on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8.**

Equipment/Software Purchases – Bond/Millage Funds

1. Is equipment purchased with **bond or millage dollars** reported as Capital Outlay?

No. Equipment purchased with bond or millage dollars should not be included on the Year End Report. It is considered a non-allowable cost. Consult with the school business office and/or auditor for further clarification.

2. Is equipment purchased with **bond or millage dollars** depreciated?

No. Equipment purchased with bond or millage dollars is not eligible for depreciation.

Equipment/Software Purchases – Capital Outlay

1. Can a **group purchase of equipment** be reported under Capital Outlay?

It depends on the group purchase. If **each item** in the group purchase exceeded \$5,000, then it would be recorded as capital outlay on the report. If any item in the group purchase was under \$5,000, then the cost would be reported as an expense on the Cost Allocation Sheet under **Supplies and Other Materials, Line 5.**

Note: Each item over \$5,000 would be added to the Depreciation Schedule and depreciated accordingly. (Depreciation is reported on the Cost Allocation Sheet under **Depreciation, Line 8.**)

2. We are “renting to buy” a piece of food service equipment. Can this rent be reported as **capital outlay**? Can depreciation be reported?

No. The rental fee cannot be reported as capital outlay nor can the piece of equipment be depreciated. If the total rental fee for the school year is under \$5,000, this cost can be reported as an expense on the Cost Allocation Sheet under **Supplies and Other Materials, Line 5.**

3. A delivery van costing \$25,000 was purchased with **general funds** and is being used 75% of the time by the food service program. Can **capital outlay and depreciation** be reported for this equipment or is transportation cost the only expense that can be reported by the food service program?

If the general fund had transferred \$25,000 into the school food service fund to purchase the van, then capital outlay and depreciation could be reported on the Year End Report. In this case, the van was purchased directly with general funds. Therefore, the food service program can report 75% of the transportation cost associated with the upkeep of the van on the Cost Allocation Sheet under **Transportation, Line 4.**

Equipment/Software Purchases - Depreciation

How is a purchase of tables reported? Are they depreciated?

If 10 tables were purchased at \$1,000 each, it is considered a "buy of like items" and the district would report this \$10,000 purchase as Capital Outlay.

The \$10,000 table purchase is also added to the Depreciation Schedule and is then depreciated over 12 years. (Depreciation is reported on the Cost Allocation Sheet under **Depreciation, Line 8**).

Equipment/Software Purchases – Reporting

1. Where are **software purchases** reported?

If the purchase is under \$5,000, report the purchase as an expense on the Cost Allocation Sheet under **Supplies and Other Materials, Line 5**.

If the purchase is over \$5,000, report the purchase as Capital Outlay. This \$5,000 purchase is also added to the Depreciation Schedule and is depreciated over 5 years. (Depreciation is reported on the Cost Allocation Sheet under **Depreciation, Line 8**).

2. What if the date of equipment purchase or whether it has been depreciated is unknown?

Work with the business office and other school personnel to put together as accurate a picture as possible as to when equipment was acquired. Refer to previous Year End Reports for depreciation documentation.

Equipment Sales

Where do I report revenue from **equipment sales**?

Report revenue from equipment sales on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8**. Make sure this equipment is deleted from your Depreciation Schedule. Consult with the school business office and/or auditor for further clarification.

Fund Modifications

Other than transfers or advances from the General Fund, is there any other revenue that would be reported on Line 7 (Fund Modification Line) of the Revenue and Balance Sheet?

No. On Line 7, Fund Modifications, record the balance or the amount of net change for the year of transactions between the food service account and the general fund.

The fund modification line **is not to be used** to report indirect costs charged to the school food service fund. If your school food service fund is being charged for

indirect cost, this amount must be reported in Column A, line 7 on the Cost Allocation Sheet.

The sole purpose of the fund modification line is to report the amount of net change that has occurred to the food service fund in regards to advances and loans from the general fund.

Indirect Cost Rate

What is the **unrestricted indirect cost rate** for my school?

The maximum rate for non-public schools is 12%.

Note: If you have been instructed to use a lower rate, then use that rate.

Interest

Where is **interest** earned on a loan reported?

Report earned interest on the Revenue and Balance Sheet under **Miscellaneous Revenue, Line 8**.

Membership Fees/Dues

Are membership fees/dues to organizations that use a part of their fees/dues for lobbying activities allowable costs to food service?

No. Costs of memberships in organizations substantially engaged in lobbying are an unallowable cost to the food service program whether directly or indirectly billed to the food service account. Refer to OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. Consult with the school business office and/or auditor for further clarification.

Playground Supervision

Can food service be charged costs for playground supervision by lunch teacher/aides?

No. Food service may only be charged for supervision while children are being served and consuming meals in the lunchroom or cafeteria. Playground supervision is not an allowable food service cost.

Pre-paid Meal Revenue

Where is revenue reported for **pre-paid meals**?

If the funds in these pre-paid accounts have not been used yet to purchase meals, snacks or special milk, this revenue **cannot** be reported on the Year End Report under School Meals Program Revenue and should be carried over to the next school year. Fees received for meals, snacks or special milk not yet served would be considered deferred revenue. It will become revenue when the student is served

the meal, snack or special milk.

Rebate Checks

Where are **rebate checks** from food manufacturers or vendors reported?

The total amount of rebates should be subtracted from the cost of food.

Sales Tax

Where is **sales tax** reported?

There are two different ways to report sales tax:

- a. Sales tax may be deducted from the Revenue source that generated the tax.

Example: The revenue from teachers' meals is reported as an a la carte sale. Therefore, the sales tax paid on those meals could be deducted from the a la carte revenue.

Example: The revenue from special events' meals is reported as a catered meal sale. Therefore, the sales tax paid on those meals could be deducted from the catering revenue.

or

- b. Sales tax can be reported as a negative under **Miscellaneous, Line 8**.

Note: The person completing the Year End Report should document how this was handled for future reference.

Utilities

Where are **utilities** reported if the cost is not part of the **Unrestricted Indirect Cost Rate**?

On the Year End Report, the contract services line (Line 3 of the Cost Allocation Sheet) indicates that utilities should not be part of this cost category.

However, utility cost can be recorded under contract services as long as this cost is not included in the Unrestricted Indirect Cost Rate. If utility cost is included in the Unrestricted Indirect Cost Rate, then utility cost cannot be recorded under contract services.

School food service programs that are being charged directly for their utility cost must have documentation available to show how the school is determining this cost for their program. This could include an actual meter reading or a utility usage study.

Zeroing Out Fund Balances

We have a fund balance in our food service account. The business manager and the Board of Education want to “zero out” this fund balance at the end of each year. Can this be done?

No. Federal regulations prohibit the transfer of food service funds to other funds unless there were costs incurred in those other funds that were not charged to the food service fund. The charges must be clearly documented because revenues received by the nonprofit school food service are to be used only for the operation or improvement of food service.