

# Wisconsin Department of Public Instruction

## School Nutrition Programs

### Financial Management Frequently Asked Questions

**Q1. Administration is suggesting that our school offer students a small snack pack to take home after school, as we have a high percentage of students eligible for free/reduced price meals. Can this local initiative be funded from our food service account (Fund 50)?**

A. No. Money from food service (Fund 50) cannot be used to support local initiatives to donate food. It is critical for a school participating in the federal school nutrition programs to be able to show that federal and state reimbursement received for reimbursable meals is used specifically to support the cost of providing those meals. If the school is interested in providing a snack to be consumed afterschool during an enrichment activity, they may want to look into administering the federal USDA Afterschool Snack Program. If this is not an option, perhaps there is a student or parent group that would like to take on fundraising for a local program. When operating the federal afterschool snack program, if a student is unable to finish their entire snack, “wholesome”<sup>1</sup> items may be taken home with the permission of local school policy. Information regarding the federal program can be found on our [Afterschool Snack Program \(ASP\)](https://dpi.wi.gov/school-nutrition/programs/afterschool-snack) (<https://dpi.wi.gov/school-nutrition/programs/afterschool-snack>) webpage.

<sup>1</sup>: “Wholesome” must be defined by the School Food Authority (SFA) as part of an approved Standard Operating Procedure (SOP).

**Q2. I’ve never completed the Annual Financial Report (AFR) before! What is it, and where do I start?**

A. The AFR is the accounting of all revenue and expenditures from July 1 through June 30, and must be submitted by August 31 annually. The report is submitted through our [online services](https://dpi.wi.gov/nutrition/online-services) (<https://dpi.wi.gov/nutrition/online-services>) webpage. To get started on completing your AFR, view the webcast and instruction manual on our [Financial Management webpage](https://dpi.wi.gov/school-nutrition/program-requirements/financial-management) (<https://dpi.wi.gov/school-nutrition/program-requirements/financial-management>).

**Q3. We had a carryover of \$1,500 in student meal accounts at the end of June (money in student meal accounts that has not yet been used to pay for meals). How do we account for that on the AFR that we submit to the Department of Public Instruction (DPI)?**

A. This amount should not be recorded in the AFR. When a student deposits funds in their meal account, the amount received is not treated as revenue until the meal has actually been served to the student. The amount of funds on hand in student accounts is treated as a deposit or liability account in either the food service fund (Fund 50) or the general fund (Fund 10) until the meal is served at which point the deposit account is converted to revenue. This amount should not be recorded as revenue, or part of the fund balance on your AFR.

**Q4. Our food service director partners with school organizations (e.g., Student Council, Future Farmers of America (FFA), Parent Teachers Association (PTA)) for student fundraisers. The food service director purchases items through the food service account (Fund 50), and the students are responsible for the sale of items. Can there be a fund transfer out of food service account (Fund 50) into the student organization’s account to “share the profits” with the group? If some**

**of the profits remain in food service (Fund 50), can the profits in food service (Fund 50) be used to offer a student scholarship?**

A. No. The food service account (Fund 50) should be used to account for the school district's food service programs and not for other purposes. There is no mechanism in Fund 50 to account for transfers out to other funds. If food service is purchasing the items for the group to sell, the group must reimburse the food service account for all costs related to this purchase (food costs as well as any labor costs involved). Please refer to [USDA Memo SP 13-2014](https://www.fns.usda.gov/school-food-service-account-revenue-sale-non-program-foods) (<https://www.fns.usda.gov/school-food-service-account-revenue-sale-non-program-foods>) for further information. If the student groups are the ones purchasing and selling food items, then the revenues and costs related to those food sales should be accounted for in a student organization fund (Fund 60 and/or Fund 21).

**Q5. Our district is considering charging food service for utilities. We understand that this cannot be done unless separately metered or based on a *current* usage study by the local utility company or knowledgeable entity. There is a CESA that offers this service, working in conjunction with WE Energies. Can the utility study be funded by the food service account?**

A. Maybe. The cost of the study would be an allowable cost for food service (Fund 50) as long as the cost is reasonable based on several bids or by securing price quotes through an informal bid process (if under the district's threshold for bidding out services). If there are no other companies that do this kind of study, then the district can contract with the CESA. The study must be based on an appropriate methodology for determining usage by building in order to adequately apportion out energy costs. Unacceptable methodologies on which to base utility usage include square footage of area or hours a kitchen/cafeteria is used.

**Q6. There is a community organization that will be renting out our school kitchen for a function. Would the revenue received for this rental be deposited into the food service fund (Fund 50)?**

A. No. Any rental revenue received would have to be deposited into the school's general fund (Fund 10 for public schools), or if the activity is specific to community service, it would be accounted for in the community service fund (Fund 80 for public schools).

The rules are a bit different if the school is offering catering services to outside groups, and the school employees are preparing the food. In that case, the expenditures incurred and the revenue from catering sales is accounted for in the food service fund (Fund 50). USDA Memo SP 13-2014 addresses catering.

If you are new to the position of financial management for the school nutrition programs, feel you need a refresher, or want to gain a better understanding of new requirements under the Healthy Hunger-Free Kids Act of 2010 (e.g., paid lunch equity and handling of non-program foods), please consider attending the four-hour Financial Basics course that is taught as part of the School Nutrition Skills Development Courses (SNSDC).

## **School Kitchen Renovation and Building Cost**

**Q7. We will be renovating our kitchen and cafeteria next year, what costs are allowable for the food service account (Fund 50) to support?**

A. 2 CFR 200.452, identifies costs of normal repairs and alterations as allowable so long as they: (1) keep property in an efficient operating condition; (2) do not add to the permanent value of the property or appreciably prolong its intended life; and (3) are not otherwise included in rental or other agreements. Based on these principles, FNS has allowed funding of limited renovations within the inside perimeter of a kitchen/cafeteria space. For example, renovating a kitchen by cutting away a portion of the wall to allow room for a walk-in refrigerator and related electrical wiring would be an allowable expense if the renovation is “necessary” to accommodate increased participation of students in the school meal programs.

If items purchased will be used for more than just food service, the cost *must* be prorated. An example is the cost of new cafeteria seating that is also used for study hall and afterschool programming. There is no state agency pre-approval required except for the capital expenditure for equipment not on the [pre-approval list](https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/preapproved-equipment-list.pdf) (<https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/preapproved-equipment-list.pdf>).

**Q8. Our school board just approved building a new elementary school next year. Are any of the building costs allowable for the food service account (Fund 50) to support?**

A. No. School Meal Program regulations at 7 CFR 210.14(a) and 220.7(e) require that revenues received by the food service account (Fund 50) shall *not* be used to purchase land or buildings or to construct buildings unless the purchase is pre-approved by the USDA FNS. The goal is to ensure that a School Food Authority (SFA) maintains the necessary funding to operate the program as required by the school meal programs authorizing legislation and regulations, and that the food service account (Fund 50) is not used to cover major expenses that should be borne by the school district’s general fund (Fund 10) (e.g., capital infrastructure costs).

## **Unpaid Meal Charges SP 46-2016, SP 47-2016, & SP 23-2017**

### **Unpaid Meal Charge Policy**

**Q9. Does the Unpaid Meal Charge Policy need to be pre-approved by the State Agency (SA)?**

A. No. Retain records of the policy and the methods used to communicate the policy to households and any staff responsible for enforcing it. The policy and communication streams will be checked during the Administrative Review (AR).

**Q10. Is the DPI developing a State-level Unpaid Meal Charge Policy?**

A. No. The School Nutrition Team (SNT) encourages agencies to develop a policy that meets both USDA regulations and the unique needs of the local SFA and their families.

**Q11. Can SFAs simply email households a link to the full written Unpaid Meal Charge Policy which is posted on the district’s website?**

A. Maybe. Annually, at the beginning of the school year, every household needs to be provided the full policy in writing. If the length of the policy is burdensome to print and distribute or include in the student handbook, SFAs may email it to households. However, not every household may have access to a computer. SFAs must have a way to assure that every household has been provided a copy of the policy in writing. For example, if an SFA can identify households that do not have an

email, or can track bounce backs, the policy must then be mailed or provided through an alternate method. This also applies to transfer students' mid-year.

## Refunds

**Q12. After a student graduates or leaves the district, if there are funds remaining in a student's meal account, can a SFA establish a dollar amount (e.g., anything under \$10.00) that the SFA will not attempt to refund?**

A. No. When *any* student leaves the district or graduates, SFAs must attempt to contact the student's household to return *any* funds remaining in the account. Currently, there is no approved flexibility to simply set a dollar threshold (e.g., \$10.00), SFAs can transfer remaining funds in a student's meal account to a sibling in the same household who remains in the district. SNT encourages SFAs to develop policy language which clearly explains how households will be contacted to issue refunds (e.g., via email, phone, mail), the number of times (e.g., three attempts) before the SFA will no longer attempt to issue a refund, and that the school will report the funds as "unclaimed property".

**Q13. If the agency has remaining funds in accounts that can no longer be refunded because the SFA is unable to contact the household, or has exhausted attempts to contact the household, what should happen to the remaining funds?**

A. Funds in student meal accounts are considered a liability until a meal is purchased. When the funds are left "unclaimed", they cannot be used to offset another student's negative account, unless *paid* households have *chosen to donate* those funds to the school food service account. All funds left in any student meal account which cannot be contacted must be turned over to the [Wisconsin Department of Revenue \(DOR\)](https://www.revenue.wi.gov/Pages/UnclaimedProperty/Home.aspx) (<https://www.revenue.wi.gov/Pages/UnclaimedProperty/Home.aspx>) as unclaimed property. The DOR has [rules concerning unclaimed property](https://www.revenue.wi.gov/DOR%20Publications/pb82.pdf) (<https://www.revenue.wi.gov/DOR%20Publications/pb82.pdf>) that must be followed.

**Q14. There are households that receive free and reduced price meals requesting to donate their remaining funds. Can the SFA implement an optional household signature agreement for *all* eligibility categories (F/R/P) who choose to donate remaining funds when a student graduates or leaves the district? (SP 23-2017 just addresses donations from paid households.)**

A. No. At this time, there is no flexibility which allows for the donation of remaining funds other than from households *not* approved for free and reduced price meals, so these funds must be turned over as unclaimed property.

## Bad Debt

**Q15. At the end of the current fiscal period, our SFA had \$1,425.00 in unpaid, "uncollectable" student debt for meals and food items sold to students. Does this bad debt get absorbed by the food service account? Can I simply abate the uncollectible portion against the related revenue account with no operating transfer being required?**

A. NO! 2 CFR 200.426 states that "bad debts" are unallowable costs for federal programs. That is why it is important for schools to develop and follow meal charge policies and procedures in order

to minimize student debt. If a SFA writes off any “uncollectible” accounts related to meal and food items sold to students in food service, an operating transfer must be recorded from the general fund (Fund 10) to food service (Fund 50) in the amount of the bad debt. If the SFA has set up a repayment plan or is continuing to collect on “delinquent debts”, collection efforts can continue, as long as the agency feels it is worth their effort to do so.

**Q16. When bad debt is “written-off” how should it be coded in WUFAR for the Food Service Account (Fund 50)?**

A. First, the total amount of bad debt must be written off as an expense to Fund 50, under “Other Adjustments”. This is because the money was never collected from the household, and the sale was originally reported as revenue when the meal, milk, or snack was sold.

Dr. 50 E 969 492000 Other Adjustments  
Cr. 50 A 713200 Accounts Receivable

Secondly, the same amount then needs to be covered by non-federal funds. There are a few ways a SFA can cover bad debt through the use of non-federal funds. It could include receipting gifts for bad debts into Fund 50, using gifts from Fund 21, or using amounts from student or parent organizations, etc. The most commonly used nonfederal source is an operating transfer from Fund 10.

Dr. 10 E 850 411000 Operating Transfer to Fund 50  
Cr. 10 A 711000 Cash  
Dr. 50 A 711000 Cash  
Cr. 50 R 110 411000 Operating Transfer from Fund 10

Further questions regarding WUFAR for Public Schools can be directed to the School Financial Services Team at [dpifin@dpi.wi.gov](mailto:dpifin@dpi.wi.gov).

**Q17. Where is bad debt reported on the School Nutrition Programs Annual Financial Report (AFR)?**

A. Report the revenue used to cover bad debt in the first column, "Transfer from Non-Food Service Account-Operating Transfer", under the National School Lunch Program (NSL). Report the expense for the write-off as “Other Expenditures”, under the NSL.

**Q18. I have a community member who would like to donate money to food service, to help families who are in need. How is this handled? Is it allowable to put money into student accounts anonymously? The person donating does not want to be acknowledged in any way.**

A. The donation can be receipted into food service (Fund 50 for public schools, Source 291, Gifts). Since the donation has a specific purpose of helping families who are in need, the school can decide how much of the donation can be added to particular family accounts. The school should develop written criteria for deciding which families would qualify for assistance.

**Q19. Who determines when “delinquent debt” should be written off as “bad debt”?**

A. It is up to the local officials at the school to determine when further collection efforts are useless or too costly and when delinquent debt will be written off as bad debt. Local officials need

to establish reasonable timeframes and method for collecting unpaid meal charges. The State of Wisconsin does not define what is considered a “reasonable timeframe”.

**\*Please share this document with those responsible for fiscal management of the School Nutrition Programs.**



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