

School Nutrition Basics for Fiscal Staff

Regional Finance Consultant | Division of Local Finance

2024 Annual Fiscal Workshop





BEST FOR
ALL

We will set all students on a path to success.

ACADEMICS

ALL TENNESSEE STUDENTS WILL HAVE
ACCESS TO A HIGH-QUALITY EDUCATION,
NO MATTER WHERE THEY LIVE

STUDENT READINESS

TENNESSEE PUBLIC SCHOOLS WILL BE
EQUIPPED TO SERVE THE ACADEMIC
AND NON-ACADEMIC NEEDS OF ALL
STUDENTS IN THEIR CAREER PATHWAYS

EDUCATORS

TENNESSEE WILL SET A NEW PATH FOR
THE EDUCATION PROFESSION AND BE
THE TOP STATE IN WHICH TO BECOME AND
REMAIN A TEACHER AND LEADER FOR ALL



Agenda

- Overview
- Financial Reporting
- State Matching Funds
- Cash Management
- Excess Balance
- Direct and Indirect Costs
- USDA Commodities
- Child Nutrition Program Grants
- Administrative Reviews
- Final Tips
- Resources



Overview

Commonly Used Acronyms

- ADP Average Daily Participation
- ASSP After School Snack Program
- CACFP Child and Adult Care Food Program
- CEP Community Eligibility Provision
- CNP Child Nutrition Program (see also SNP)
- DC Direct Certification
- F&R Free and Reduced
- FFVP Fresh Fruit and Vegetable Program
- FNS Food and Nutrition Services

Commonly Used Acronyms

- LWP Local Wellness Policy
- NSLP National School Lunch Program
- SBP School Breakfast Program
- SFA School Food Authority
- SFSP Summer Food Service Program
- SMP Special Milk Program
- SNAP Supplemental Nutrition Assistance Program
- SNP School Nutrition Program (see also CNP)
- TMAC Tennessee Meals Accounting and Claiming System
- USDA United States Department of Agriculture

Tennessee's School Nutrition Program

- Providing nutritious meals and snacks for students in:
 - Public schools
 - Non-public schools
 - Residential institutions
 - Childcare institutions
- Responsible for administration of USDA programs including:
 - National School Lunch Program (NSLP)
 - School Breakfast Program (SBP)
 - Afterschool Snack Program (ASSP)

Tennessee's School Nutrition Program

- All public schools in Tennessee are on the National School Lunch Program.
- The NSLP provides nutritionally balanced lunches.
 - Low-cost or no charge
 - Nutrition standards set forth by the USDA
 - 7 C.F.R. Parts 210 and 220
- For more information go to [School Nutrition](#).

Community Eligibility Provision

- Community Eligibility Provision (CEP) is a universal meal plan under the NSLP.
 - Serves schools and school districts in low-income areas
 - No collection of household applications
 - Meal service to students free of charge, regardless of economic status
 - [Community Eligibility Provision | Food and Nutrition Service](#)

Federal Regulations for Lunch Program

- National School Lunch Program (7 C.F.R. § 210)
 - Use of Federal funds (7 C.F.R. §210.6)
 - Reimbursement for school food authorities (7 C.F.R. §210.7)
 - Claims for reimbursement (7 C.F.R. §210.8)
 - Resource management (7 C.F.R. §210.14)
 - Reporting and recordkeeping (7 C.F.R. § 210.15)
 - Matching Federal funds / State revenue matching (7 C.F.R. §210.17)
 - Administrative reviews (7 C.F.R. §210.18)
 - Audits (7 C.F.R. §210.22)

Federal Regulations for Other Programs

- School Breakfast Program (7 C.F.R. § 220)
- Summer Food Service Program (7 C.F.R. § 225)
 - Managed by Tennessee Department of Human Services
- Child and Adult Care Food Program (7 C.F.R. § 226)
 - Managed by Tennessee Department of Human Services
- Commodity Supplemental Food Program (7 C.F.R. §247)
 - Managed by Tennessee Department of Agriculture

Financial Management

Financial Reporting

- School food authorities must manage food service resources in accordance with 7 C.F.R. § 210.14 and 7 C.F.R § 210.19(a).
- Revenues may only be used for the operation or improvement of food service program, unless otherwise approved by the Food and Nutrition Service (federal agency of the USDA).
 - May not be used to purchase land and/or buildings unless approved by FNS.
 - May not be used to construct buildings.

Financial Reporting

- Centralized programs report in Central Cafeteria Fund 143
- Non-centralized programs report in General Purpose School Fund 141
- Both funds report expenditures in function 73100 Food Service
- Fund balance reported in 34570 Restricted for Operation of Non-instructional Services
- Keep detailed SNP records and documentation for 3 years plus current or until audit resolutions resolved. 7 C.F.R. § 210.23 (c)

Classification of Revenue

- Local Sources
 - Lunch payments from children and adults
 - Income from breakfast
 - Ala carte sales
- State Sources
 - Child Nutrition State Match
- Federal Sources
 - USDA reimbursements
 - USDA commodities
 - Grants
- Miscellaneous Sources
- Transfers In (from other funds)

Classification of Expenditures

- Allowable costs identified with production and service of meals
 - Labor (salaries/wages and employee benefits)
 - Professional and technical services
 - Property services
 - Food (purchased food and USDA foods)
 - Supplies (general and food production)
 - Indirect costs
 - Transfers out

Procurement

- SNP procurement is governed by local, state, and federal regulations and policies.
 - [SNP Procurement \(tn.gov\)](https://tn.gov)
- Procurement transactions must comply with the Buy American Provision.
 - [Buy American Provision Requirement](#)
- The school food authority (LEA) must seek prior approval for equipment purchases that equal or exceed \$5,000 if not on the state-approved list or for sole source purchases.
 - [Tennessee Approved Equipment List](#)

SNP Smart Snacks in Schools

- All foods and beverages sold at school during day must meet nutrition standards established from the Smart Snacks rule.
 - Includes food sold in school store and vending machines on campus.
 - Covers midnight before to thirty minutes after end of the official school day.
- Special fundraiser exemptions are allowed.
 - In Tennessee, 20 days each semester are allowed as exempted fundraiser days per school.
- [Smart Snacks Nutrition Standards and Exempt Fundraisers](#)

State Matching Funds

Child Nutrition State Matching Funds

- Child nutrition state matching funds are dispersed by the state agency as a lump-sum payment to local districts.
 - Based on the number of lunches served from the previous year
 - Paid mid-year through the Central Cafeteria Fund
- Record revenue in 143 46520 School Food Service.
- State matching funds must not be held by General Purpose Fund to draw interest or be held for local usage.
 - Exception: SNP director's wages paid by the General Purpose Fund

Child Nutrition State Matching Funds

- T.C.A. § 49-3-313 (school lunch program) states 10% of state matching funds distributed to LEAs shall be applied to one or more of the following:
 - Employment of a certified food service supervisor
 - Employment of cafeteria managers or assistant managers accredited by the Tennessee School Food Service Association or working toward the accreditation
 - Professional training programs for non-accredited personnel (including training costs, wages, travel, hotel, and meals/incidentals).

Cash Management

Cash Management

- An SFA must be able to account for all funds that are received, obligated, and expended. (2 C.F.R. § 200.305)
- Expenditures must be allowable, reasonable, and allocable. (2 C.F.R. §§ 200.403-405)
- Child nutrition federal grants operate on a reimbursement basis.
 - Must have sufficient fund balance for cash flow.
- Think of program as a restaurant “business” that must:
 - Generate funds to cover operating expenses.
 - Follow rules and regulations required by USDA to operate.

Lunch Prices

- Annually, SFAs shall establish prices for paid lunches in accordance with federal regulations. 7 C.F.R. § 210.14(e)
- Based on the calculation procedures in the regulations, price increases may be considered *required* or *optional*.
- Maximum *required* annual average price increase for lunches shall not exceed ten cents.
- For *optional* price increases, the SFA may increase the average price by more than ten cents.

Charging for Meals

- Students must be charged for meals when they are not eligible for free or reduced-price meals.
- SFAs must charge accordingly for second meals or milk, adult meals, a la carte items and catering.
- When charging for student meals, SFAs must implement an unpaid meal charge policy and communicate that policy to households.
- Unpaid charges for meals already served to students are considered outstanding and are due to the food service fund.

Delinquent Debt

- Delinquent debt
 - Overdue balances
 - Active and reasonable collection efforts
 - Considered an asset / accounts receivable
- Delinquent debt remains on the financial reports until:
 - Collected
 - Determined uncollectable and written off
- Delinquent debt may be carried over to the next fiscal year and collection efforts continued.

Uncollectable and Bad Debt

- Uncollectable Debt
 - Overdue balance no longer considered collectable
 - Collection efforts determined unproductive or too costly
- When local officials determine further collection efforts for delinquent/uncollectable debt are useless or too costly, the debt can be reclassified as bad debt.
- Bad debt, and costs related to collection of bad debt, is unallowable. 2 C.F.R. § 200.426
- Bad debt must be written off as an operating loss.
- Uncollected charges must be recouped from other than school nutrition funds.
 - [Internal School Funds Manual](#); Section 8-3

Refunds

- When a student leaves the district or graduates, the SFA must attempt to contact the student's household to return any funds remaining in the student's account.
- Households approved for reduced-price meal benefits must receive a refund.
- Retaining any unused funds would result in the per meal price exceeding the maximum allowable amount.

Excess Balance

Excess Balance

- SEA monitors net cash resources in food service fund.
- SFA may not exceed three months' average expenditures.
7 C.F.R. § 210.14(b)
 - Expenditures based on a nine-month operating year.
- Net cash resources = current assets (not including inventories or prepaid items) less current liabilities at fiscal year-end.

Excess Balance

- LEAs with excess net cash will be notified and must submit a spending plan to be reviewed and approved by the state. 7 CFR § 210.19(a)(1) and 7 CFR §210.14(b)
- Spending plan may include:
 - Reduce the price children are charged for lunches
 - Improving the quality of meals
 - Purchase/replacement of food service equipment
 - Other items to support the program

Direct and Indirect Costs

Direct Costs vs. Indirect Costs

- Direct costs can be clearly identified as having been incurred specifically for the school food service program.
 - Food and food supplies (vendor invoices and receipts)
 - Labor for food service (timecards show duties specific to program)
- Indirect costs are incurred for the benefit of multiple programs, functions, or other cost objectives and cannot be readily identified as having been incurred specially for the school food service program.
 - Utilities (utility invoice or statement for entire school)
 - Custodial services (timecards do not break out time by area served)

Indirect Costs

- Indirect cost rates are calculated annually by TDOE.
- Child Nutrition Programs use the **unrestricted** indirect cost rate.
- SFAs must include the indirect cost rate on their annual program agreements to secure approval by the state.
- LEA can recover indirect costs from the food service program *only* if the program has an excess balance.

USDA Commodities

USDA Commodities

- Commodities are USDA purchased foods distributed to public and private nonprofit schools and institutions participating in the National School Lunch Program.
- The program supports American agricultural producers while providing nutritious food to school children.
- The food commodities must be of domestic origin.

USDA Commodities

- USDA commodities are available to schools and managed through the Tennessee Department of Agriculture.
- At year end, LEAs must record USDA commodities received.
 - Credit Revenues: 143 47112
 - Debit Expenditures: 143 73100 469
- Food service supervisor can provide dollar value of commodities to finance director to make journal entry.

Child Nutrition Program Grants

Child Nutrition Program Grants

- Cost center grants to track expenditures
- Block grants – no carryover (ex: Afterschool Snack, Seamless Summer Option)
- Fresh Fruit and Vegetable (FFVP) grant - no carryover
- NSLP-Equipment grant – two years
- Other USDA grants

Child Nutrition Program Grants

- Common revenue codes
 - 46980 Other State Grants (No Kid Hungry)
 - 47111 USDA School Lunch Program
 - 47113 Breakfast
 - 47114 USDA – Other
 - Seamless Summer Option
 - Afterschool Snack
 - FFVP
 - 47115 USDA Food Service Equipment Grant

Child Nutrition Program Grants

- Assistance Listing Numbers (ALN):
 - 10.553 School Breakfast Program
 - 10.555 National School Lunch Program
 - Commodities
 - Afterschool Snack Program
 - Seamless Summer Option (SSO)
 - 10.556 Special Milk Program for Children
 - 10.559 Summer Food Service Program (SFSP) for Children
 - 10.560 State Administrative Expenses (SAE) for Child Nutrition
 - 10.574 HUSSC
 - 10.579 NSLP Equipment Assistance Grant (NSLP-E)
 - 10.582 Fresh Fruit and Vegetable Program (FFVP)

Administrative Reviews

Administrative Reviews & Other Audits

- The Administrative Review (AR) for the child nutrition program is the equivalent to TDOE's monitoring of federal grants.
- Local option budgeting laws and private acts will affect the budgeting process.
- Financial administrative review is called Resource Management.
 - Requires collaboration between LEA's finance and child nutrition departments

Administrative Reviews & Other Audits

- LEA's audited financials should match financial reports in the Tennessee Meals Accounting and Claiming System (TMAC).
 - Ensure these reports match once the local audit is available.
 - If reports don't match, work with local auditor and/or finance team to determine the discrepancy.
 - Make necessary adjustments.
- SFAs could be found non-compliant during an AR if deficiencies are identified.
- Identified deficiencies may result in payback of child nutrition funds.

Final Tips

Final Tips

- Collaborate with SNP administrators on financial data.
- Provide SNP Administrators with financial reports from the accounting system.
 - Monthly financial reports
 - Payroll reconciliations
 - Position control
- Assist SNP administrators with their budget process.
- Audit preparation is a year-round process.
- Look back at prior years' budgets and financial reports for guidance.

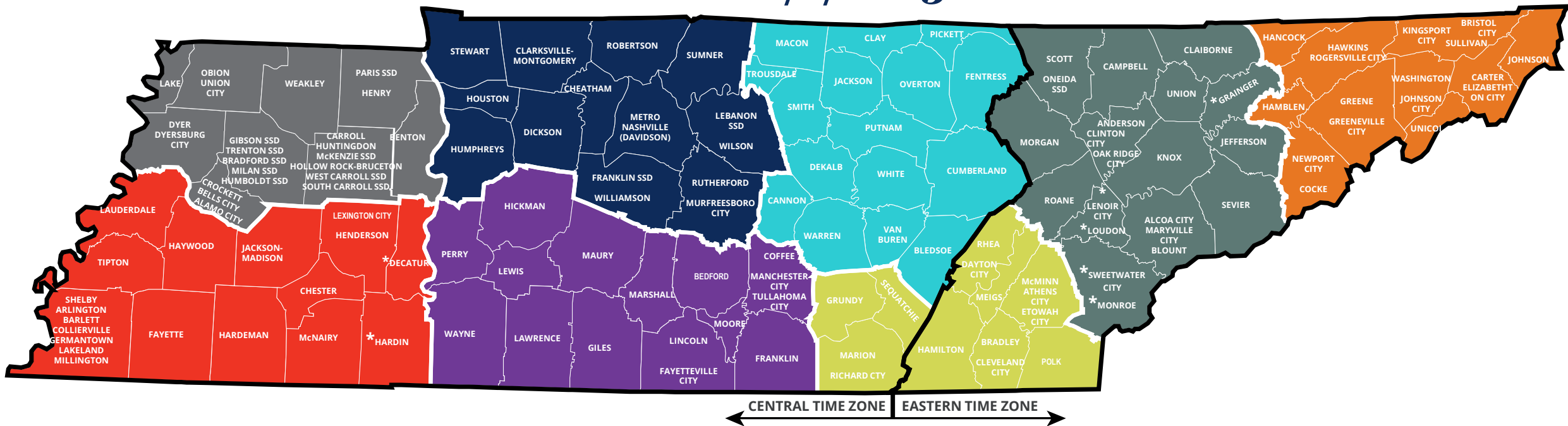
Final Tips

- Establish internal controls and procedures to comply with local, state, and federal regulations.
- Involve multiple stakeholders to identify goals for SNP that align with organizational strategies:
 - School nutrition administrators
 - School nutrition staff
 - Chief financial officer
 - Director of schools
 - School board members

Resources

Regional Finance Consultant District Map

As of 11/1/2023



Northwest	Southwest	Mid Cumberland	Upper Cumberland	South Central	Southeast	East TN	First TN
Joshua Dehnz	Meribeth Carpenter	Rob Mynhier	Brian Trisdale	Jasmine Taylor	Taffe Bishop	Shelby Ownbey	Jill Lewis
Joshua.Dehnz@tn.gov	Meribeth.B.Carpenter@tn.gov	Robert.Mynhier@tn.gov	Brian.Trisdale@tn.gov	Jasmine.Taylor@tn.gov	Taffe.Bishop@tn.gov	Shelby.Ownbey@tn.gov	Jill.Lewis@tn.gov

*Districts that are assigned to a finance consultant in a different CORE region.

Regional Finance Consultant District Assignment

As of 11/1/2023

Northwest	Southwest	Mid Cumberland	Upper Cumberland	South Central	Southeast	East TN	First TN
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Districts: Alamo City Bells City Benton County Bradford SSD Carroll County Crockett County Dyer County Dyersburg City Gibson County SSD Henry County Hollow Rock-Bruceton SSD Humboldt SSD Huntingdon SSD Lake County McKenzie SSD Milan SSD Obion County Paris SSD South Carroll SSD Trenton SSD Union City Weakley County West Carroll SSD	Districts: Achievement Schools Arlington SSD Bartlett SSD Chester County Collierville SSD Fayette County Germantown SSD Hardeman County Haywood County Henderson County Jackson-Madison County Lakeland SSD Lauderdale County Lexington City McNairy County Millington Shelby County Tipton County WTSD	Districts: Cheatham County Charter Schools Commission Dickson County Dept. of Children Services Dept. of Corrections Franklin SSD Houston County Humphreys County Lebanon SSD Metro-Nashville Montgomery County Murfreesboro City Robertson County Rutherford County Stewart County Sumner County TN School for Blind Williamson County Wilson County *Jackson County	Districts: Alvin York Institute Bledsoe County Cannon County Clay County Cumberland County DeKalb County Fentress County Macon County Overton County Pickett County Putnam County Smith County Trousdale County Van Buren County Warren County White County *Sequatchie County	Districts: Bedford County Coffee County Fayetteville City Franklin County Giles County Hickman County Lawrence County Lewis County Lincoln County Manchester City Marshall County Maury County Moore County Perry County Tulahoma City Wayne County *Decatur County *Hardin County	Districts: Athens City Bradley County Cleveland City Dayton City Etowah City Grundy County Hamilton County Marion County McMinn County Meigs County Polk County Rhea County Richard City *Lenoir City *Loudon County *Monroe County *Sweetwater City	Districts: Alcoa City Anderson County Blount County Campbell County Claiborne County Clinton City Jefferson County Knox County Maryville City Morgan County Oak Ridge Oneida SSD Roane County Scott County Sevier County TSDK Union County	Districts: Bristol City Carter County Cocke County Elizabethton City Greene County Greeneville City Hamblen County Hancock County Hawkins County Johnson City Johnson County Kingsport City Newport City Rogersville City Sullivan County Unicoi County Washington County *Grainger County

*Districts that are assigned to a finance consultant in a different CORE region.

Finance Division Contacts

Chief Financial Officer

Maryanne.Durski@tn.gov

Director of Local Finance

Holly.Kellar@tn.gov

Director of Local Disbursements

Spencer.Yonce@tn.gov

LEA Data Support

Karen.Justice@tn.gov

Finance Data Analyst

Rachel.Salsman@tn.gov

Regional Finance Consultants

Robert.Mynhier@tn.gov

Jill.Lewis@tn.gov

Taffe.Bishop@tn.gov

Joshua.Dehnz@tn.gov

Jasmine.Taylor@tn.gov

Meribeth.B.Carpenter@tn.gov

Brian.Trisdale@tn.gov

Shelby.Ownbey@tn.gov

(615) 238-1008

(629) 259-1645

(423) 677-1405

(423) 358-9630

(615) 968-4681

(629) 259-0693

(629) 278-9733

(629) 215-0412

Resources

- **Tennessee Department of Education** [Education \(tn.gov\)](http://education.tn.gov)
- **ePlan TDOE Resources** <https://eplan.tn.gov/>
- **Tennessee Comptroller of the Treasury** [Comptroller of the Treasury - Comptroller.TN.gov](http://Comptroller.TN.gov); [Manuals \(tn.gov\)](http://Manuals.tn.gov)
- **Tennessee Department of Education SNP Financial Management** <https://www.tn.gov/education/districts/snp-resources/snp-financial-management.html>
- **Tennessee Department of Education SNP Administrative Review** <https://www.tn.gov/education/districts/snp-resources/snp-administrative-review.html>
- **Indirect Costs** <https://fns-prod.azureedge.us/sites/default/files/cn/SP60-2016a.pdf>
- **Electronic Code of Federal Regulations** [eCFR :: Home](http://eCFR.gov)
- **Tennessee Code Annotated** [Tennessee Code Unannotated – Free Public Access | Main Page \(lexis.com\)](http://Tennessee Code Unannotated - Free Public Access | Main Page (lexis.com))

Fraud, Waste or Abuse

Citizens and agencies are encouraged to report fraud, waste, or abuse in State and Local government.

NOTICE: This agency is a recipient of taxpayer funding. If you observe an agency director or employee engaging in any activity which you consider to be illegal, improper or wasteful, please call the state Comptroller's toll-free Hotline:

1-800-232-5454

Notifications can also be submitted electronically at:

comptroller.tn.gov/hotline