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APPENDIX A: Property Tax Compliance

Beginning in 2011, all taxing jurisdictions with fiscal autonomy may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the percentage increase in the consumer price index (CPI) plus the percentage increase in the previous year in the population of the entity as determined by the Office of Research and Statistics of the State Budget and Control Board. The statutes also require the taxing jurisdiction to comply with 12-37-251(E) and the rollback millage must be used in lieu of the previous year's millage rate when a reassessment program is implemented.

There may be added to the operating millage increase allowed above, any such increase allowed but not previously imposed, for the three property tax years preceding the year to which the current limit applies.

Audits should certify millage rates set are in compliance with all statutes and laws restricting millage either by legislative delegations or S. C. Code of Laws 12-37-251, 6-1-320 and 12-43-285(A).

Auditors should review for compliance with the applicable state laws and exceptions to the law should be included in the Schedule of Findings and Questioned Costs.

NOTE: For additional information concerning property tax compliance, contact Sandy Houck at the SC Department of Revenue:

Sandy Houck
803-898-5478
sanford.houckjr@dor.sc.gov

APPENDIX B: SOUTH CAROLINA CHARTER SCHOOLS (COMPOSITE)

2021-2022

School Name/Year Open	Grades	Contact Information	District
Academy for Teaching and Learning (2006)	K-8	Robyn B. Caldwell 109 Hinton Street Chester, SC 29706 803-385-6334 803-385-6335 (fax)	Chester
Academy of Hope (2011)	PK-8	Dr. Melissa McCloud 3521 Juniper Bay Road Conway, SC 29527 843-397-5712 843-397-5719 (fax)	Horry
Allegro Charter School of Music (2015)	6-12	Daniel Neikirk 2731 Gordon Street North Charleston, SC 29405 843-321-7104 843-207-4701 (fax)	Charleston
Anderson Five Charter School (2012)	9-12	Katie Brown 1225 South McDuffie St. Anderson, SC 29624 864-260-5538 864-260-5911 (fax)	Anderson 5
Belton Preparatory (2018)	K-6	Deirdre McCollough 5901 Belton Highway Belton, SC 29627 864-392-1173 864-392-1867 (fax)	Charter Institute at Erskine
Bettis Preparatory Leadership Academy (2018)	K-8	Dr. Myrtis Brightharp-Walker 69 Nicholson Road Trenton, SC 29847 803-663-7266 803-663-7668 (fax)	SCPCSD
Brashier Middle College Charter High (2006)	9-12	Michael Sinclair 1830 West Georgia Rd. Bldg. 203 Simpsonville, SC 29680 864-757-1800 864-757-1850 (fax)	Charter Institute at Erskine
Bridges Preparatory Academy (2013)	K-12	Gary McCulloch 555 Robert Smalls Parkway Beaufort, S.C. 29906 843-982-7737 843-982-7707 (fax)	SCPCSD
Bridgewater Academy Charter (2003)	K–8	Steve Wilson 191 River Landing Blvd. Myrtle Beach, SC 29579 843-236-3689 843-236-4921 (fax)	Horry

School Name/Year Open	Grades	Contact Information	District
Butler Academy (2020)	K–6	Dr. Jerome Butler 710 South 5th St Hartsville SC 29550 843-287-2399 843-332-8448 (fax)	SCPCSD
Calhoun Falls Charter School (2008)	6-12	Kalan Rogers 205 Edgefield Street Calhoun Falls, SC 29628 864-418-8014 864-418-9379 (fax)	Charter Institute at Erskine
Cape Romain Environmental Education Charter School (2012)	PK-8	Margaret Crouch 1011 Old Cemetery Rd McClellanville, SC 29458 843-887-3323 843-887-3525 (fax)	SCPCSD
Carolina School for Inquiry (2006)	PK-6	Victoria Dixon- Mokeba 7405-A Fairfield Road Columbia, SC 29203 803-691-1250 803-691-1247 (fax)	Richland One
Carolina Voyager Charter School (2014)	K-8	Amy Vesperman 721 Wappoo Road Charleston, SC 29407 843-203-3891 843-718-2903 (fax)	Charleston
Charleston Advancement Academy High (2018)	9-12	Wayne Stevens 1484 Camp Road Charleston, SC 29412 843-494-5521 843-405-2474 (fax)	SCPCSD
Charleston Charter School for Math & Science (2008)	6-12	Mary Carmichael 1002 King Street Charleston, SC 29403 843-720-3085 843-720-3196 (fax)	Charleston
Charleston Development Academy (2003)	PK-8	Reginald Graham 233 Line Street Charleston, SC 29403 843-722-2689 843-722-2694 (fax)	Charleston
Cherokee Charter Academy (2020)	PK-7	Tessa Waltrip 3206 Cherokee Avenue Gaffney, SC 29340 864-489-7198	Charter Institute at Erskine
Clear Dot Charter (2019)	PK-9	Dr. Lindsey Ott 2015 Marion Street Columbia, SC 29201 803-567-3075 803-939-9910 (fax)	Charter Institute at Erskine

School Name/Year Open	Grades	Contact Information	District
Coastal Leadership Academy (2013)	9-12	Sherri Oskin 3710 Palmetto Pointe Blvd. Myrtle Beach, SC 29588 843-788-9898 (843-294-0228 (fax)	SCPCSD
Cyber Academy of South Carolina (2013)	K-12	David Crook 330 Pelham Rd Suite 101-A Greenville, SC 29615 855-611-2830 864-558-0535 (fax)	Charter Institute at Erskine
Discovery Charter School of Lancaster (2000)	K-5	Thomas H. McDuffie 302 West Dunlap Street Lancaster, SC 29720 803-285-8430 803-416-8907 (fax)	Lancaster
East Cooper Montessori Charter School (2003)	PK-8	Jody Swanigan 1120 Rifle Range Road Mt. Pleasant, SC 29464 843-216-2883 843-216-8880 (fax)	Charleston
East Link Academy (2018)	K-8	Dana Hutto 78 Global Drive, Suite 200 Greenville, SC 29607 864-775-1733 864-484-8171 (fax)	SCPCSD
East Point Academy (2011)	PK-8	Andrew Hart Elementary Campus(4K-5): 1043 Chris Drive West Columbia, SC 29169 803-926-5180 803-845-4999 (fax) Middle Campus (6-8): Elementary Campus: 1401 Leaphart Street West Columbia, SC 29169 803-926-0520 803-926-99548 (fax)	SCPCSD
Felton Laboratory (2015)	K-8	Famon Whitfield 115 Lance Street Orangeburg, SC 29117 803-536-7034 803-533-3635 (fax)	SCPCSD
Fox Creek High School (2004)	9-12	Josh Trahan 165 Shortcut Rd. North Augusta, SC 29860 803-613-9435 803-613-1533 (fax)	SCPCSD
Gates School (2022)	1-6	Ashley Brooks 5010 Wetland Crossing Road North Charleston, SC 29418 843-981-2526	Charter Institute at Erskine

School Name/Year Open	Grades	Contact Information	District
Gray Collegiate Academy (2014)	7-12	Dr. Brian Newsome 3833 Leaphart Road West Columbia, SC 29169 803-951-3321 803-381-9764 (fax)	Charter Institute at Erskine
Greenville Renewable Education Charter School (GREEN) (2013)	PK-12	Malana Fitzgerald 1440 Pelham Rd. Greenville SC 29615 864-288-4134 864-288-0826 (fax)	SCPCSD
GREEN Upstate High School (2022)	9-12	Chase Willingham 356 Centerpointe Road Greenville, SC 29615 864-288-4134 864-288-0826 (fax)	SCPCSD
GREEN Charter School of the Lowcountry (2022)	K-7	Tanisha Ingram- Scott 8717 Old University Blvd. N. Charleston, SC 29406 843-501-7911	SCPCSD
GREEN Charter School of the Midlands (2017)	K-8	Tina R. Shaw 7820 Broad River Road Irmo, SC 29063 803-563-5987 803-563-5438 (fax)	SCPCSD
GREEN Charter School of Spartanburg (2019)	K-8	Melissa Hester 8150 Warren H. Abernathy Highway Spartanburg, SC 29301 864-586-3939 864-586-3940 (fax)	SCPCSD
Greenville Technical Charter High School (1999)	9–12	Mary Nell Anthony 506 S. Pleasantburg Drive #119 Greenville, SC 29607 864-250-8844 864-250-8846 (fax)	SCPCSD
Greer Middle College Charter High School (2008)	9-12	James Armstrong 138 West McElhaney Rd. Taylors, SC 29687 864-469-7571 864-469-7573 (fax)	SCPCSD
Greg Mathis Charter High School (2003)	9-12	Natrice Henriques 2872 Azalea Drive Charleston, SC 29405 843-557-1611 843-747-5810 (fax)	Charleston
High Point Academy (2014)	PK-12	Russell Mahafey 6655 Pottery Road Spartanburg, SC 29303 864-316-9788 864-249-1516 (fax)	SCPCSD

School Name/Year Open	Grades	Contact Information	District
High School Alternative Program at Sullivan Center (2022)	9-12	Tom Griffin 206 Wilkins Street Greenville, SC 29605 864-355-5184	Greenville
Horse Creek Academy (2002)	K–10	Dr. Ann Marie Taylor 1200 Toolebeck Road Aiken, SC 29803 803-226-0160 803-226-0202 (fax)	Aiken
James Island Charter High School (2003)	9–12	Timothy Thorn 1000 Fort Johnson Road Charleston, SC 29412 843-762-2754 843-762-5228 (fax)	Charleston
Lakes and Bridges Charter School (2018)	1-8	Heidi Bishop 1600 E. Main Street Easley, SC 29641 864-425-5580 864-442-5577 (fax)	SCPCSD
Langston Charter Middle School (2005)	6-8	David Wooten 1950 Woodruff Rd. Greenville, SC 29607 864-286-9700 864-286-9699 (fax)	Greenville
LEAD Academy (2016)	K-8	Curtis Baker 804 Mauldin Road Greenville, SC 29607 864-916-1459 864-380-8785 (fax)	SCPCSD
Learn4Life-Charleston (2022)	9-12	Cheri Shannon 6209 Rivers Avenue N. Charleston, SC 29406 877-360-5327	SCPCSD
Legacy Early College (Elementary) (2006)	K5-4	LaCheryl Smith 900 Woodside Avenue Greenville, SC 29611 864-214-1600	SCPCSD
Legacy Early College (Middle) (2006)	5-8	Idasa M. Cobb 900 Woodside Ave. Greenville, SC 29611 864-248-0646	SCPCSD
Legacy Early College (High) (2006)	9-College	LaCheryl Smith 900 Woodside Ave. Greenville, SC 29611 864-214-1630	SCPCSD
Legion Collegiate Academy (2018)	9-12	Dr. T.K. Kennedy 3090 Long Meadow Road Rock Hill, SC 29732 803-620-6040	Charter Institute at Erskine

School Name/Year Open	Grades	Contact Information	District
Lloyd Kennedy Charter School (2002)	3–8	Keisha Lloyd-Kennedy 130 Avery Lane Aiken, SC 29802 803-644-4824 803-641-1155 (fax)	Aiken
Lowcountry Leadership Charter School (2013)	K –12	Julianne Lang 5139 Gibson Road Meggett, SC 29449 843-889-5527 843-889-5529 (fax)	Charter Institute at Erskine
Lowcountry Montessori School (2014)	PK-12	Amy Horn 749 Broad River Drive Beaufort, SC 29902 843-322-0577 843-322-0925 (fax)	SCPCSD
Meyer Center for Special Children (1999)	PK–2	Meta Bowers 1132 Rutherford Road Greenville, SC 29609 864-250-0005 864-250-0028 (fax)	SCPCSD
Mevers School of Excellence (2017)	K-8	Gregory Stickel 7750 Henry E. Brown Jr. Blvd. Goose Creek, SC 29445 843-806-5909 803-806-5910 (fax)	Charter Institute at Erskine
Midlands Arts Conservatory (2018)	6-11	Bradford Tillman 3806 North Main Street Columbia, SC 29203 803-799-9388	SCPCSD
Midlands Middle College (2013)	11-12	Dr. Laurie Lee 1260 Lexington Drive West Columbia, SC 29170 803-822-7043 803-822-7039 (fax)	SCPCSD
Midlands STEM Institute (2014)	PK-12	Cynthia Prince 112 Crane Street Winnsboro, SC 29180 803-815-1524 803-712-4958 (fax)	Charter Institute at Erskine
The NEXT High School (2015)	6-12	Dr. Stephanie Brown 2000 Wade Hampton Blvd. Greenville, SC 29615 864-735-7260 843-322-0925 (fax)	SCPCSD
Oceanside Collegiate Academy (2016)	9-12	Christina Brown 580 Faison Rd. Mt. Pleasant, SC 29466 843-936-7128	Charter Institute at Erskine

School Name/Year Open	Grades	Contact Information	District
Odyssey Online Learning (2009)	9-12	Ashley Owings 510 Lexington Ave. Suite 102 Chapin, SC 29036 803-735-9110 803-701-9024 (fax)	Charter Institute at Erskine
Orangeburg County School District Charter High School for Health Professions (2012)	9-12	Derwin Farr 130 Howard Hill Drive Orangeburg, SC 29118 803-535-1693 803-535-1635 (fax)	Orangeburg
Orange Grove Charter School (2006)	PK-8	John Clendaniel 1225 Orange Branch Road Charleston, SC 29407 843-763-1520 843-769-2245 (fax)	Charleston
Palmetto Academy of Learning and Success Charter (PALS) (2010)	K-8	Courtney Fancher 3021 Fred Nash Blvd. Myrtle Beach, SC 29577 843-293-1725 843-293-1745 (fax)	Horry
Palmetto Academy of Motorsports Charter High School (PALM) (2012)	9-12	Avery Moore 826 West Cox Ferry Rd Myrtle Beach, SC 29579 843-903-6600 843-903-6602 (fax)	Horry
Palmetto Scholar's Academy (2010)	6-12	Dean Wilkins 7499 Dorchester Rd. North Charleston, SC 29418 843-300-4118 843-300-4123 (fax)	SCPCSD
The Palmetto School at the Children's Attention Home (2004)	K–8	Chantell Tarver 505 University Drive Rock Hill, SC 29730 803-328-6555	York 3
Palmetto Youth Academy Charter (2005)	K-6	Yvonne Brown-Burgess 1209 N. Douglas Street Florence, SC 29501 843-679-7070 843-679-7046 (fax)	Florence One
Pattison's Academy for Comprehensive Education (2010)	K-12	Laura Del Duca 721Wappoo Road Charleston, SC 29407 843-402-7820 843-402-7851 (fax)	Charleston
Pee Dee Math, Science and Technology Academy (2013)	K-12	E. Keith Bailey 101 Docs Drive Bishopville, SC 29010 803-428-8400 803-866-883-8736 (fax)	SCPCSD

School Name/Year Open	Grades	Contact Information	District
Polaris Tech (2018)	5-12	Kim Statler 1508 Grays Highway Ridgeland, SC 29936 843-645-0605 843-491-6371 (fax)	SCPCSD
Richland One Charter Middle College (2004)	11–12	Dr. Carla Brabham 316 S. Beltline Blvd Columbia, SC 29205 803-738-7114 803-738-7117(fax)	Richland One
Riverview Charter School (2009)	K-12	Robert Bechtold 81 Savannah Highway Beaufort, SC 29906 843-379-0133 843- 327-8400 (fax)	Beaufort
Riverwalk Academy (2014)	K-12	Dr. Robbie Compton 5750 Mt. Gallant Road Rock Hill, SC 29732 803-327-8400 803-454-9031 (fax)	SCPCSD
Royal Live Oaks Academy (2012)	K-12	Dr. Karen Wicks 400 John Smith Road Hardeeville, SC 29927 843-784-2630 843-784-2623(fax)	Charter Institute at Erskine
South Carolina Connections Academy (2008)	K-12	Joshua Kitchens 201 Executive Center Dr STE: 250 Columbia, SC 29210 803-212-4712	Charter Institute at Erskine
South Carolina Virtual Charter School (2008)	K-12	Dr. Cherry Daniel 2023 Platt Springs Road West Columbia, SC 29169 803-253-6222 803-253-6279 (fax)	Charter Institute at Erskine
SC Whitmore School (2011)	9-12	Kim Dunbar 501 Commerce Dr.NE Columbia, SC 29223 866-476-6416 866-476-1646 (fax)	SCPCSD
Spartanburg Preparatory School (2009)	K-10	Dr. Tomekia Whitmire 385 South Spring St. Spartanburg SC 29304 864-621-3882 864-804-6404 (fax)	SCPCSD
Tall Pines STEM Academy (2016)	5-8	Lori Mastromonico 82 Camp Long Road Aiken, SC 29805 803-502-1692 803-459-1092(fax)	SCPCSD

School Name/Year Open	Grades	Contact Information	District
The Montessori School of Camden (2018)	K-8	Deborah Cyrier 2 Montessori Way Camden, SC 29020 803-432-6828 803-432-6422 (fax)	Charter Institute at Erskine
Thornwell Charter School (2019)	K-10	Melissa Moore 203 West Calhoun Street Clinton, SC 29325 864-808-0801 864-808-0802 (fax)	Charter Institute at Erskine
Virtus Academy of South Carolina (2018)	K-9	D. Matthews 2407 Pisgah Road Florence, SC 29501 843-799-4032 864-799-4042 (fax)	Charter Institute at Erskine
York Preparatory Academy (2010)	K-12	Brian Myrup 1047 Golden Gate Court Rock Hill, SC 29732 803-324-4400 866-469-2083 (fax)	SCPCSD
Youth Leadership Academy (2012)	6-8	Sandee Blankenship 698 Concord Church Rd Pickens, SC 29671 864-898-4511 864-898-5784 (fax)	SCPCSD

APPENDIX C: Example of Subfund Listing Note Disclosure for Special Revenue Fund

ANYWHERE SCHOOL DISTRICT
YEAR ENDED JUNE 30, XXXX

FEDERAL ADULT EDUCATION PROGRAMS

243 Adult Education—Federal

OTHER DESIGNATED STATE-RESTRICTED GRANTS

919 Education License Plates
935 Reading Coaches
936 Student Health and Fitness - Nurses

OTHER SPECIAL REVENUE GRANTS

237 Title I School Improvement Focus Schools
256 Homeless Children State Grant
2xx ROTC
200 Medicaid
8xx Immunization Program
8xx Foreign Language Exchange

Include appropriate subfund codes and program titles for all Adult Education Funds, Other Designated Restricted State grants, and Other Special Revenue grants included in the SCDE-required Special Revenue Supplemental Statement.

APPENDIX D: Career and Technical Education Function and Subprogram Codes, 2021-22

Function Code	Subprogram	Program/Activity Title	Fund Source/Project Component Code
100/200	01	Integration of Academic and Technical Skills	Perkins, Title I
100/200	02	Career Exploration/Work-based Learning	Perkins, Title I
100/200	03	Post-secondary and Career Readiness	Perkins, Title I
200	04	Professional Development	Perkins, Title I
100/200	05	Evaluation and Assessment	Perkins, Title I
100/200	06	Initiate and Improve Programs	Perkins, Title I
100	11	Equipment (federal)	Perkins, Title I
200	15	Administration	Perkins, Title I
100/200	18	WBL Activities (EIA/State)	EIA/State
100	19	CTE Equipment (EIA/State)	EIA/State
200	18	HSTW/MMGW/CCTW	EIA/State
200	21	Teacher Education	Perkins, Leadership
200	22	SC Teacher Recruitment	Perkins, Leadership
100/200	23	CTE Reserve	Perkins, Title I
100/200	24	Nontraditional Program	Perkins, Leadership
200	25	C-TECS	Perkins, Leadership
200	26	AYES	Perkins, Leadership
200	27	State Bd for Tech-Administration	Perkins, Administration

APPENDIX D (Cont'd)

Function Code	Subprogram	Program/Activity Title	Fund Source/Project Component Code
200	36	Business Week	Perkins, Leadership
100/200	40	State Institutions	Perkins, Leadership
200	41	Gender Equity	Perkins, Leadership
200	42	FFA Camp Caretaker	Perkins, Leadership
200	43	Agriculture Education, Teacher Education	Perkins, Leadership
200	44	Student Organization Administration	Perkins, Leadership
200	45	HSTW Projects	Perkins, Leadership
200	47	SC Career Planning System	Perkins, Leadership
100/200	48	State Leadership-Special Projects	Perkins, Leadership
200	50	STEM Initiative	Federal Award
200	51	Prepare CTE Teachers for Classroom	Perkins, Leadership, Transition To Teaching Grants
200	61	WBL Career Special	EIA
200	62	WBL Staff Development	EIA
100/200	93	Industry Partnerships	State
200	99	Grand Total	

SCDE Contact: Maria Swygert
803-734-8456
NMswyger@ed.sc.gov

APPENDIX E: Internet Sites

SOUTH CAROLINA DEPARTMENT OF EDUCATION

- Home Page http://ed.sc.gov/
- Office of Auditing Services https://ed.sc.gov/finance/auditing/
- Office of Finance https://ed.sc.gov/finance/financial-services/

OMB (OFFICE OF MANAGEMENT AND BUDGET)

- Home Page http://www.whitehouse.gov/omb/circulars
- OMB Compliance Supplement (2022) 2022 Compliance Supplement (whitehouse.gov)
- 2 CFR Part 200 Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards

  http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title02/2crf200_main_02.tpl

ASSISTANCE LISTING NUMBER (FORMERLY CATALOG OF FEDERAL DOMESTIC ASSISTANCE)

- Main Menu
  https://sam.gov/content/home

U.S. DEPARTMENT OF EDUCATION AUDIT GUIDANCE

- Nonfederal Audit Team Homepage

  http://www.ed.gov/about/offices/list/oig/nonfed/nfteam.html

INSPECTOR GENERAL

Single Audit Act Amendments of 1996

https://www.congress.gov/104/plaws/publ156/PLAW-104publ156.pdf

AICPA (AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS)

- http://www.aicpa.org/

THOMPSON INFORMATION SERVICES

- http://www.thompson.com

GOVERNMENT AUDITING STANDARDS (THE "YELLOW BOOK")

- https://www.gao.gov/yellowbook/overview

GOVERNMENT FINANCE OFFICERS ASSOCIATION

- www.gfoa.org

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

- http://www.gasb.org

FINANCIAL ACCOUNTING STANDARDS BOARD

- http://www.fasb.org

FEDERAL AUDIT CLEARINGHOUSE

- Federal Audit Clearinghouse - Home(census.gov)

APPENDIX F: Release Authorization for Subrecipient Data

Mrs. Sequoyah Burden Williams
Grants Accounting Section
Office of Finance
South Carolina Department of Education

ATTENTION: Payment Information

The South Carolina Department of Education is authorized to provide payment information for FY 2021-22 and any subsequent updates relating to funding that may be made available to the certified public accounting firm listed below.

All items below must be completed.

Name of CPA contact: _____ E-mail: _____

Name of CPA firm: _____

Street address: _____ City: _____

State and zip: _____ Phone: _____

This information is to be provided for the purpose of the annual audit of the subrecipient's financial records as prescribed by the Defined Program for South Carolina School Districts, the Single Audit Act of 1984, and the Single Audit Act Amendments of 1996.

Please send this material directly to the independent auditors shown above.

_____ _____
Superintendent/representative's name (Please print.) Entity name

_____ _____
Superintendent/representative's signature Date

APPENDIX G: Food Service Employer Contributions
General Appropriation Act, 1999 S.C. Acts 100
Proviso 1.5

(SCDE: Employer Contributions/Allocations) It is the intent of the General Assembly that the appropriation contained herein for "Public School Employee Benefits" shall not be utilized to provide employer contributions for any portion of a school district employee's salary which is federally funded.

State funds allocated for school district employer contributions must be allocated by the formula and must be used first by each district to cover the cost of fringe benefits for personnel required by the Defined Program, food service personnel and other personnel required by law. Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel.

The Department of Juvenile Justice and the Department of Corrections' school districts must be allocated funds under the fringe benefits program in accordance with the criteria established for all school districts.

APPENDIX H: Food Services Memorandum No. 23, The 1989-90 Appropriations Act (Program Funding and Policies)

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
COLUMBIA 29201

Charlie G. Williams
State Superintendent of Education

June 30, 1989

MEMORANDUM NO.: 23

TO: County and District Superintendents of Schools
County and District School Food Service Supervisors/Directors

FROM: VBP Vivian B. Pilant, Director
Office of School Food Services

SUBJECT: The 1989-90 Appropriations Act

The 1989-90 Appropriations Act addressed five areas in School Food Services - School Lunch Supervisors (Provisos 28.3 and 28.4), Fringe Benefits (Proviso 28.9), School Lunch Program Aid (Proviso 28.18), Nutritional Policies for Foods Available to Students (Proviso 28.100) and School Breakfast (Permanent Proviso, Section 57). The first four areas were contained in Part I Provisos (Temporary) while School Breakfast was addressed in Part II Provisos (Permanent).

This information is being provided for your planning purposes.

PART I PROVISOS (TEMPORARY)
H63-Section 28

28.3 The amount appropriated in this section for County School Lunch Supervisors shall be used for the payment of salaries of one supervisor for each county at the rate of $12,905 each per year and no such salary shall be supplemented from funds provided in this section for "School Lunch Program Aid". In the absence of a County Board of Education or with the approval of the County Board of Education in multi-district counties, the salary shall be proportionately distributed among the districts of the county on the basis of the 135. average daily membership of the prior year, provided that such funds must be used for the supervision of the School Food Service Program.

28.4 For the Fiscal Year 1989-90 the local supplement to salaries of county School Lunch Supervisors and School Attendance Supervisors shall not be reduced below the supplements paid in 1988-89.

28.9 Funds contained herein for school district employer contributions must be allocated by a formula based on the number weighted pupil units in each district and must be used first by each district to cover the cost of fringe benefits for personnel required by the Defined Minimum Program, food service personnel and other personnel required by law. Once a district has expended all state allocated funds for fringe benefits, the district may utilize food service revenues to fund a proportionate share of fringe benefits costs for food service personnel.

28.18 The amount appropriated herein for School Lunch Program Aid shall be divided among the County Boards of Education of the State upon the basis of the number of schools participating in the School Lunch Program in each county during the school year 1988-89. The travel expenses of the County School Lunch Supervisor shall be paid from this appropriation at the prevailing rate of mileage allowed by the State. These funds may be used as an aid in improving the School Lunch Program. In the absence of a County Board of Education in multi-district counties, the funds will be divided among the school districts of the county on the basis of the number of schools participating in the School Lunch Program in each district during the school year 1988-89.

28.100 The State Board of Education shall develop nutritional policies for foods available to students during the school day based on the United States Dietary Guidelines for Americans and the nutritional requirements of the National Child Nutrition Program and local school districts and school food service programs are urged to adopt the nutrition policy of the State Board of Education.

PART II PROVISOS (PERMANENT)

Document Number 5302U
SECTION 57

The 1976 Code is amended by adding:

"Section 59-63-765. If a school has at least a forty percent enrollment receiving free or reduced priced lunches, the school district may implement in that school a nutritional, well-balanced school breakfast program if federal funds are available to cover the entire cost of the program and if no additional personnel are required to implement the program."

Provisos 28.3, 28.4 (Supervisors Salary), and 28.18 (School Lunch Program Aid) are essentially the same as previous years. The salary is $12,905 FY 89-90. You will be notified of the Program Aid amount for your district later in the summer.

Proviso 28.9 on fringe benefits is a change with the additional sentence regarding the use of food service revenues to fund a proportionate share of fringe benefits costs for food service personnel once a district has expended all state allocated funds for fringe benefits. Enclosed with this memo is guidance on how to calculate the fringe benefits for food service personnel based on this proviso.

Essentially, once the district has determined the percentage of the shortfall in fringe benefits for the personnel specified in the proviso then the percentage of the shortfall can be applied to school food service employees and paid out of the food service fund.

Proviso 28.100 on Nutritional Policies - This office will keep you informed of State Board of Education actions pertaining to nutritional policies for foods available to students.

School Breakfast - This office will provide to districts a list of schools in their district with forty percent enrollment receiving free or reduced price lunches which meet the criteria specified in Section 59-63-765 of the 1976 Code.

Since this category essentially meets the Federal Breakfast Regulations 7 CFR 220 definition of Severe Need Schools, districts will be eligible for additional reimbursement for breakfasts served in their schools providing they have costs in excess of the regular reimbursement rates. The 1989-90 reimbursement rates for lunch and breakfast will be forwarded to districts in early July. Additional information on the breakfast program is addressed in Memorandum No. 22, dated June 28, 1989, and will also be discussed at the July 31, 1989 statewide meeting.

APPENDIX I: Food Service Memorandum No. 19: Misuse of School Food Service Funds and Interest Earned on School Food Service Funds

Dr. Barbara S. Nielsen
State Superintendent of Education

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
COLUMBIA 29201
April 5, 1991

MEMORANDUM NO.: 19

TO: School Business Officials
County and District Superintendents of Schools
County and District School Food Service Supervisors/Directors

FROM: Vivian B. Pilant, Director
Office of School Food Services

SUBJECT: 1. Misuse of School Food Service Funds
2. Interest Earned on School Food Service Funds

1. Recent reviews have disclosed situations in which local school districts have misused program funds. Specifically funds were being utilized for non-program purposes in direct violation of 7 Code of Federal Regulations, Part 210.14 (a) that states "Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service..." According to U. S. Department of Agriculture (USDA) school districts who are determined to be in violation of this regulation will have reimbursement suspended pending the resolution and restitution of the amount due.

   Whereas this policy does not prohibit the district from making an internal loan, the attached Policy Memorandum 87-6 from U. S. Department of Agriculture outlines the conditions that must be met, before and after, if loans are made from school food service funds.

2. Another situation that requires clarification is that of interest earned on school food service funds. According to USDA, Policy Memorandum 88-4, any interest earned on school food service funds, children's lunch payments and program reimbursement must be credited to the school food service fund and used only for program purposes.

   USDA funds for program reimbursement must be entered into the school food service fund as soon as possible on receipt. If program reimbursement funds are held in a different fund, (such as a district's general fund) before placing it into the school food service fund, any interest on this USDA revenue must also be credited to the school food service fund. This policy regarding loans and interest earned on school food service funds is included in the compliance requirements of the annual Single Audit Guidelines issued by the Department of Education.

APPENDIX I (Cont'd)

United States Department of Agriculture | Food and Nutrition Service | Southeast Region | 1100 Spring St., NW. Atlanta, GA 30367

Reply to Attn. of: SESN-211

OFFICE FEB 10 1988
SCHOOL FOOD SERVICES

FEB 16 1988
RECEIVED

Subject: Policy Memorandum 88-4
Interest Earned on School Food Service Funds

To: State Child Nutrition Directors
State Food Distribution Directors

According to Policy Memorandum 80-32, any interest earned on school food service funds, children's lunch payments and program reimbursement must be credited to the school food service account and used only for program purpoges.

USDA funds for program reimbursement must be entered into the school food service account as soon as possible on receipt. If program reimbursement funds are held in a different account, (such as a county's general fund) before placing it into the school food service account, any interest on this USDA revenue must also be credited to the school food service account.

If you have any questions, please call the Policy and Procedures Section at (404) 347-7802.

CHARLES C. KIRBY
Regional Director
Special Nutrition Programs

APPENDIX J: USDA Memorandum: NSLP Policy 210.19-02, Use of Revenues Generated by the Food Service Funds



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to
Attn. of: SA 9-1-General

Subject: NSLP Policy 210.19-02: Use of Revenues Generated by the Food Service Account

To: All State Child Nutrition Directors
Southeast Region

We received an inquiry from a State Director requesting a statement of the Food and Nutrition Service's (FNS) position on whether or not revenues generated by the sale of competitive foods by the school food service can be available for uses other than the school food service. According to the State Director's letter, some schools contend that the language in 7 CFR 210.11(b) permits revenue from competitive food sales to be made available to entities in the school other than the food service even if the foods are provided through the school food service. It is the State Director's position that 7 CFR 210.14 expressly prohibits revenue from the food service account to be used for any purpose other than the food service and that this prohibition extends to revenue generated by the school food service's sale of competitive foods.

The 7 CFR 210.14(a) stipulates that revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service...." There are no exceptions to this requirement. If the food service account is used to purchase and provide foods sold in competition with the reimbursable meal service, **all** of the revenue from these sales **must** accrue to the food service account. It also should be noted that this requirement extends to any foods provided through the food service account, regardless of where they may be sold. For example, if vending machines outside of the food service area are stocked using funds from the food service account, the proceeds from those vending machines must return to the food service account and **only** to the food service account.

This position is underscored by 7 CFR 210.19(a)(2), which stipulates the actions a school food authority (SFA) must take if the monies in the food service account exceed a three month operating balance (the definition of nonprofit food service account). The options available to SFAs in these situations are (1) to reduce the price children are charged for meals, (2) to improve food quality and (3) take other action **designed to improve the nonprofit school food service.** Making excess funds available to the general school fund or to other school organizations is not an approved option.

The purpose of these restrictions is to ensure that the food service is able to provide school meals that are nutritious, appealing and affordable for children, and 7 CFR 210.11(b) must be viewed in this context. Had FNS intended to except revenues from competitive foods from these requirements, this exception would have been specified in the regulation.

The intent of 7 CFR 210.11(b) is to limit the organizations that may receive revenue from the sale of competitive foods. Essentially, this regulation prohibits profit making entities or other organizations not connected with the school from benefiting from the sale of competitive foods in the food service area. Only operations and organizations that are a part of the school may benefit from these sales, and then only to the extent that they operate the competitive food service themselves.

Therefore, the food service account would generally be the principal beneficiary from sales of competitive foods, since these foods are normally provided through the food service account. However, the regulation does permit other approved school organizations to sell competitive foods in the cafeteria or elsewhere and to receive the revenues from these sales. If, for example, the principal maintains a vending machine that dispenses juices or other non-prohibited competitive foods, the revenue from that machine could accrue to the principal's general fund or to other school operations designated by the principal. These revenues would not have to be placed in the food service account. Also, if a student organization or the PTA were to operate a bake sale, the revenues would be used for the benefit of the school or the student organization.

We hope this memorandum clarifies the relationship of competitive food revenues to the food service account. Should you have any questions, please contact our office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

APPENDIX J: USDA Memorandum: NSLP Policy 210.14-02: Use of School Service Funds Generated by the Food Service Account

USDA

United States Department of Agriculture
Food and Nutrition Service
OFFICE
SCHOOL Southeast Region

MAR 19 1999

Reply to
Attn. of: SA 9-1

DEC 28 1998

Subject: Policy 210.14-02: Use of School Food Service Funds

To: All State NSLP Directors
Southeast Region

This memorandum reissues policy previously released as NSLP/SBP/SMP Policy memorandum 83-2, dated February 16, 1983; Policy memorandum 84-1 dated November 30, 1983, and Policy memorandum 97-10, dated January 30, 1997. Any changes to the original memoranda are in **bold.**

Improvement of Facilities

As stated in 7CFR 210.19(a)(2), each SA is responsible for establishing a financial management system which will prescribe the approval of nonprofit food service expenditures. Except for the purchase of land and buildings, the SA retains primary responsibility for determining whether a capital project expenditure is considered an allowable cost. Also, the SA is usually better able to assess an SFA's operational needs than the Regional Office (RO).

There have been some questions concerning the distinction between construction of a building and improvement of facilities, as in the case of an addition to the kitchen or dining area. Our general rule of thumb is that construction activities which increase the square footage of a building constitute the construction of a building, while renovations or improvements to a structure which do not increase its size would be an improvement of facilities. In the case above, nonprofit school food service revenues could not be used to add a kitchen or a dining area to an existing building; they could, however, be used to convert existing space in the building into a kitchen or a dining area.

Another question which has been posed is regarding the installation of air conditioning in school food service (SFS) facilities, specifically in the kitchen area. The addition of air conditioning to SFS facilities not currently air conditioned or the replacement of air conditioning systems in SFS facilities is currently permitted under FNS Regulations since this could be described as an improvement .

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FORM FCS-603 (3-96)

Regarding the use of SFS funds to install air conditioners in new school construction, the appropriate office of Management and Budget (OMB) Circular should be referenced when determining whether an expenditure is allowable. For example, Section C.1 of OMB Circular A-87 would be used for the purpose of determining allowable costs for State and local governments. Occasionally, a capital expenditure benefits more than just school food service. The SA must ensure that the capital project is prorated on an appropriate cost allocation basis (e.g., square footage, etc.). Any costs charged to or paid by the nonprofit school food service must be based on actual service or benefit to the nonprofit food service operation. Expenditures associated with the use of buildings, capital improvements, and equipment may be expended against the school food service account through a use allowance or depreciation.

The intent of the regulations is to provide greater flexibility in the use of funds to protect and improve the quality of food service delivery. Administering agencies will have to exercise their own judgment in evaluating individual cases.

Salaries

An employee's full salary may be charged to or paid by the nonprofit school food service only if that employee works full-time for the nonprofit school food service. If an employee performs part-time or occasional work for the nonprofit school food service, only the cost of that part-time or occasional work may be charged to the nonprofit school food service. For example, a full-time clerical or accounting employee may work only one hour a week for the nonprofit food service completing forms or verifying records; in this case, nonprofit school food service revenues may only pay for one hour of the employee's salary each week. **OMB Circular A-87 requires school food authorities to document that nonprofit school food service revenues are used appropriately. Payrolls must be supported by time and attendance records for the individual. Salaries chargeable to more than one program shall be supported by appropriate time distribution records.**

Should your staff have any questions regarding this matter, please have them contact our office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

APPENDIX J: NSLP Policy 210.14-05: Misuse of Program Funds

United States Department of Agriculture
Food and Nutrition Service
OFFICE OF
SCHOOL
Southeast Region

MAR 19 1999

Reply to
Attn. of: SA 9-1

1 MAR 1999

Subject: 210.14-05: Misuse of Program Funds

To: All State Directors:
National School Lunch Program (NSLP)
Southeast Region

This memorandum was originally issued as Policy Memorandum 87-6, on March 31, 1987. Any changes made to the original memo are in **bold.**

Recent reviews have disclosed a number of situations in which School Food Authorities (SFA's) have misused program funds. Specifically, funds were being utilized for non-program purposes in direct violation of Part 210.14 (a) that states "Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service...."

This policy does not prohibit the SFA from making an internal loan of school food service (SFS) funds for use in other school system operations, **but** such loans **must be recovered by SFS. The SFS may, at its option charge interest for the duration of the loan.**

Should your staff have any questions regarding this matter, please have them contact this office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

APPENDIX J: USDA Memorandum: NSLP Policy 210.14-06: Interest Earned on School Food Service Funds

United States Department of Agriculture
Food and Nutrition Service
OFFICE OF
SCHOOL
Southeast Region

MAR 19 1999

Reply to
Attn. of: SA 9-1

1 MAR 1999

Subject: 210.14-06: Interest Earned on School Food Service Funds

To: All State NSLP Directors

This memorandum reissues policy previously issued as Policy Memorandum 80-32, dated September 09, 1980, and Policy Memorandum 88-4, dated February 10, 1988. Any changes made to the originals are in **bold**.

We have received several inquiries concerning whether or not interest earned on children's payments and program reimbursements should be considered to be program income **or revenues. Section 210.2, defines revenue as all monies received by or accruing to the non-profit school food service... including earnings on investments and Federal cash reimbursement. Part 210.14 further states, "Revenues received by the non-profit school food service are to be used only for the operation or improvement of such food service..." For additional information, refer to OMB Circular A-102, Attachment E, which establishes standards for federal agencies to use in administering grants to State, local, and Indian tribal governments, including school districts participating in the Child Nutrition Programs under State agency administration.**

USDA funds for program reimbursement **should** be entered into the school food service account as soon as possible on receipt. If program reimbursement funds are held in a different account, (such as a county's general fund) before placing it into the school food service account, any interest on this USDA revenue must also be credited to the school food service account.

Should your staff have any questions about this matter, please have them contact this office.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

61 Forsyth Street, S.W., Room 8T36, Atlanta, GA 30303-3415

FORM FCS-603 (3-96)

APPENDIX K: USDA Memorandum: Commercial Labels



United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

DATE: July 13, 2001

SUBJECT: Commerical Labels

TO: State Child Nutrition Director
State Distributing Agency Director

Some changes in the Department of Agriculture (USDA) commodity program will result in school food authorities (SFAs) and other Child Nutrition (CN) program outlets receiving an increasing number of products with commercial labels in place of the USDA commodity label. Realizing that this change will affect the maintenance of separate commodity inventory and accounting records, we have been piloting a record keeping system that would eliminate the need for separation.

We are offering States the opportunity to use a single inventory record keeping system on a voluntary basis beginning with the current school year (SY 2001-2002). States who choose to use this single system are granted a waiver from 7 CFR Part §250 .14(e) that requires State Distributing Agencies (SDAs) to take a physical inventory of commodities during annual reviews of recipient agencies. A waiver is also granted for 7 CFR Part §250.16(a)(2) that requires SDAs to require recipient agencies to maintain accurate and complete inventory of donated foods. SFAs and other CN program outlets in States electing the single inventory system must be provided with the information contained in this memorandum and directed to retain the information on file for audit and review purposes.

These changes in record keeping will affect both the SDAs and the State Child Nutrition Agencies. Attached is guidance on the requirements for the single inventory method.

For additional information, please contact your Regional Office or Suzanne Rigby, Branch Chief, Schools and Institutions, Food Distribution Division.

\s\ \s\

STANLEY C. GARNETT
Director
Child Nutrition Division

LES JOHNSON
Director
Food Distribution Division

Attachment

Attachment

Inventory Record Keeping System
to
Accommodate Commercial Labels on Commodities
(July 13, 2001)

One of the USDA initiatives for the commodity program is to operate using business practices where possible. Allowing vendors that supply commodities to USDA to use commercial labels rather than USDA labels has been piloted since 1996 in the Department's household programs. The practice has demonstrated a cost savings and USDA is expanding its use into other CN programs. Some vendors already use commercial labels, additional vendors will begin commercial labeling in SY 2001-02 and by SY 2002-03, all vendors will be permitted to use commercial labels. With the loss of visual identification of commodities, it will be difficult for schools and other CN outlets to inventory commodity products separate from purchased products. States adopting the single inventory method have been granted waivers from separate commodity inventory reporting requirements.

SFAs in North Carolina and Maryland piloted the single inventory method and accounted for commodities along with purchased inventory. The pilots began January 1, 2001 on a voluntary basis. Each participating SFA and State operated with a waiver of the Part 250 requirement for a separate inventory report for commodities. A commodity became the property of the SFA when the SFA received it from the State. Both States will again operate the pilot system in SY 2001-02.

Implications and Changes with using Commercial Labels on Commodities
There are several considerations involved when implementing the new single inventory requirements.

State Level

1. There will be no "Value of Ending Commodity Inventory" figure for financial reports separate from "Value of Ending Purchased Inventory." Each State must determine if the loss of that figure will have affect on such things as State reimbursement determination, etc.
2. State DAs will no longer be required to perform inventory reconciliation when performing local school visits, nor will they need to require SFAs submit ending commodity inventories. Assessing for damaged or out-of-condition commodity at the recipient level will no longer be the State's responsibility.
3. The State must determine, on a statewide basis, the value that the SFA/CN outlet will assign to the products. This value can be the most recent commodity file value, the commodity file value for the specific delivery, full replacement cost, or a composite of the commodity file value and replacement cost. States must consider a number of factors in determining the value that will be assigned. For example, some SFAs/CN outlets receive sufficient quantities of a particular commodity and have no need to purchase an equivalent product. As a result, if the State elects to use full replacement

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cost, the State may need to devote substantial efforts in assisting the SFA/CN outlet in determining the value to assign.

SFAs and Other CN Outlets

1. The value of the commodity will be realized when title passes to the SFA/CN outlet. At that point, the product becomes the property of the SFA/CN out lets and is a nonprofit food service account asset.

2. Since separate inventories are no longer required, the same inventory valuation method currently used by the SFA/CN outlet for purchased products would now apply to commodity products. For example, if the SFA uses FIFO (first in-first out) for purchased products, the SFA would use FIFO for its commodity products.

3. The SFA/CN outlet will treat and safeguard its commodities just as it now does with supplies purchased with nonprofit food service account funds. As always, good inventory management and control practices must be maintained.

4. The SFA/CN outlet may use the commodities across programs as long as all income accrues to the nonprofit food service account in the same manner income currently accrues from the use of supplies purchased with nonprofit food service account funds.

5. When a loss of a commodity occurs after title has transferred, the SFA/CN outlet is required to use the same procedures currently in place for reporting purchased product losses. If the SFA/CN outlet is not obligated to report purchased product losses to the State agency, the SFA/CN outlet will no longer be responsible for reporting commodity losses. However, the SFA/CN outlet remains responsible for ensuring that all nonprofit food service resources are safeguarded and reminded that any misuse of nonprofit food service resources is subject to criminal prosecution under section 12(g) of the National School Lunch Act.

6. Commodity entitlement credit will be available to SFAs that furnish food for Nationally declared disaster feeding. The credit cannot exceed the lessor of the actual commodities supplied or the amount of the commodity received during the past 12 months.

7. Once received by the SFA/CN outlet, the State will not be involved in arranging or accounting for transfers to other agencies. Transferring of commodities may still occur, however, arrangements will be made at a local level. Since the value of the commodity has already been realized by the SFA/CN outlet, no additional entitlement will be credited. It will be the responsibility each SFA/CN outlet to recoup the transferred product value.

8. Food safety recalls will follow the current USDA Hold and Recall procedures. As with any commercial product, can codes and establishment numbers will be used.

9. Since not required on commercial labels, the pack date will be lost. As you know, this information was the basis for "Best if Used by Dates" guidance. This guidance will no longer be made available, therefore SFAs/CN outlets should be reminded to maintain good inventory practices.

APPENDIX K: USDA Memorandum: Policy 250.14-04 and 250.15-01: Questions and Answers for Single Inventory Reccordkeeping



United States Department of Agriculture
Food and Nutrition Service

Southeast Region

Reply to
Attn. of: SERO Policy

October 19, 2001

Subject: Policy 250.14-04 and 210.15-01: Questions and Answers for Single Inventory Recordkeeping

To: All State Directors
National School Lunch Programs (NSLP)
Food Distribution Programs (FDP)
Southeast Region

The Food and Nutrition Service issued a memo on July 13, 2001 waiving the part of §250.14(e) that requires schools and child care centers to take an annual physical inventory of commodities in storage facilities. The memo also waives the part of §250.16(a)(2) that requires them to maintain commodity inventory records. The waiver permits SDAs to allow schools and childcare centers to adopt a single inventory recordkeeping method that will account for commodities along with purchased food, and current regulatory requirements to maintain USDA commodities separate from purchased inventory will be waived. While general guidance for using this method accompanied the waiver, additional questions have arisen. The following guidance is provided in response to those questions and applies only when a State has adopted the new recordkeeping method.

1. Q. Does the single inventory recordkeeping system apply only to commodities with commercial labels?

   A. No. When the school or childcare center adopts the single inventory system, it applies to all commodities regardless of whether they have commercial labels or USDA labels.

2. Q. How does the recordkeeping change affect the OMB Circular A-133 Single Audits?

   A. Guidance for the OMB Circular A-133 is based on the Part 250 regulations. Since the specific regulations for maintaining a separate inventory for commodities are being changed, this will not be part of OMB audit requirements. The compliance supplement will be updated to reflect the changes.

   The value of commodity expended during the past year is a required factor to determine whether the school food authority exceeds the value threshold and must have a Single Audit. Included in the compliance supplement update will be guidance for deriving the expended commodity value to be used for this purpose.

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FORM FCS-603 (3-96)

3. Q. How long is the waiver in effect?

   The waiver is in effect until regulatory changes are made.

4. Q. Does the SDA continue to decide the value of the commodities to be used by the schools and child care centers?

   A. Yes. The SDA must assign the value of the commodity using one of the following three methods described in §250.13(a)(5): the actual cost-per-pound data; the estimated cost-per-pound data provided by USDA; or the USDA commodity file cost as of a specified date. Most SDAs are already using one of these methods and, therefore, will not need to do anything differently.

5. Q. What basis should schools and centers use for establishing their inventory values?

   A. Schools and centers are going to need to value inventory for three different situations.

- **Purchased inventory for which there is no commodity equivalent.** An example might be condiments such as catsup. It is suggested that schools and centers base the value on the net cost for that type of inventory. That value probably would be different for each school system and center in the State.
- **Commodity product for which there is no equivalent commercial product purchased by the school or center.** Examples may include pouched salmon, frozen diced chicken or prune puree, which are commodity products that schools typically do not purchase. The SDA assigns the value using one of the methods described under Question 4 and that value would be the same for all operations throughout the State.
- **Inventory of foods that are both purchased and provided as commodities.** Canned fruits and vegetables are examples. Schools and centers could base the value on the net cost assigned to the purchased products. Or they could use the SDA- determined commodity value. Or they could use an average or weighted average of the two values.

6. Q. How will the value of commodities used by food service management companies (FSMC) be determined and passed to the SFA if inventory is not kept separate?

   A. The single inventory method does not change the requirements at §210.16(a)(6). This provision requires that all Federally donated foods received by the SFA and made available to the FSMC accrue only to the benefit of the SFA's nonprofit food service. The SFA should continue to use its existing method for ensuring the value of purchased product inventories and donated food inventories accrue to the benefit of the SFA's nonprofit food service account. FNS is exploring whether additional guidance on commodity value pass through is needed.

7. Q. How does a State that wishes to adopt the new inventory method proceed?

A. Properly implementing the single inventory recordkeeping system involves several State agencies. The steps leading to successful implementation are:

The State CND, SDA and State Financial Division should jointly identify all areas of State recordkeeping and procedures that will require change as a result of losing the ending commodity inventory value. Then, new procedures should be developed. The USDA Regional Office should be notified of the implementation date. State auditors should be consulted regarding the recordkeeping changes. The waiver notice will need to go to school systems and centers for them to use with local auditors. School systems and centers will need proper training on the new method as well as any adjustment to the State reporting system.

Please advise our office as to whether or not your State will implement single inventory recordkeeping for Fiscal Year 2002. If so, what is the expected date? Additionally, if not all districts are going to participate, which districts will participate? Remember, all other inventory requirements are in place until the single inventory recordkeeping has been implemented. Should you have any questions regarding this information, please contact Mike Pace in the School and Family Nutrition Section at (404) 562-7090.

CHARLIE SIMMONS
Regional Director
Special Nutrition Programs

APPENDIX K: USDA Memorandum: Single Inventory Recordkeeping: OMB Compliance Supplement Reference



United States Department of Agriculture

Food and Nutrition Service

3101 Park Center Drive

Alexandria, VA 22302-1500

TO: State Distributing Agencies

FROM: Suzanne Rigby, Acting Director
Food Distribution Division

RE: Single Inventory Recordkeeping
OMB Circular A-133,
Compliance Supplement

The Compliance Supplement for the OMB Circular A-133 has been revised to provide direction for auditors when a school food authority is using the Single Inventory Recordkeeping. The revision may be found at: http://www.whitehouse.gov/omb/circulars/a133_compliance/02toc.html.

- Under "Select Compliance Supplement Documents," select "Part 4: U.S. Department of Agriculture (USDA)."
- Open document using PDF, Word or WordPerfect.
- The instructions for auditors for Single Inventory Recordkeeping may be found on pages 4-10.553-19 through 4-10.553-21.

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APPENDIX L: Assistance Listing Number for Identifying Commodity in Assistance in Single Audits

SUBJECT: Catalogue of Federal Domestic Assistance (CFDA) Number for Identifying Commodity Assistance in A-133 Audits

TO: Financial Management Directors
All Regions

As you know, the auditee of an A-133 audit must identify its Federal awards by CFDA number in the required Schedule of Expenditures of Federal Awards (SEFA) and in the single audit data collection form (SF-SAC). We understand that State agencies, their subgrantees, and auditors have recently experienced confusion regarding the correct CFDA number to use when identifying commodity assistance in these documents.

The CFDA number for Food Distribution has historically been 10.550, and many State and local agencies have used it to refer to commodity assistance. However, FNS policy holds that commodities are an integral part of the categorical programs under which USDA makes them available and should be identified with those programs. Item 71 of the A-133 Q&As issued in 1999 explains that cash and commodity assistance for the same program "are inextricably linked. At the local level, donated commodities and food purchased with cash reimbursement payments are used in preparing the same school lunches. Children are eligible for the lunches, regardless of what combination of purchased and donated foods was used in their preparation." For this reason, the cash and commodity assistance must be viewed as components of the same program.

The categorical programs affected by this policy and their CFDA numbers are the National School Lunch Program (NSLP)(CFDA 10.555), the Child and Adult Care Food Program (CACFP)(CFDA 10.558), the Summer Food Service Program (SFSP)(CFDA 10.559), the Commodity Supplemental Food Program (CSFP)(CFDA 10.565), and the Food Distribution Program on Indian Reservations (FDPIR)(CFDA 10.567). Since commodities used in The Emergency Food Assistance Program (TEFAP) have their own program-specific CFDA number (10.569), TEFAP is not affected by this policy.

Schools often use commodities in the School Breakfast Program (SBP)(CFDA 10.553), but that program does not appear in the foregoing list of affected programs. This is because the SBP, unlike the NSLP, does not generate separate commodity entitlements for State agencies and the schools under their oversight. There is no "award" of commodities under the SBP. Since reporting in the SEFA and SF-SAC focuses on the expenditure of Federal awards, commodities used in the SBP should be deemed "awarded" under the NSLP and reported as such.

Despite the promulgation of this longstanding policy, we understand that it is still not widely understood. Our deletion of CFDA No. 10.550 from the CFDA on May 6, 2008, seems to have exacerbated the confusion. We took this action because the CFDA write-up no longer reflected the way FNS receives funding for commodity assistance. Given the foregoing, FNS has adopted the following position:

Audit Periods That Began Before May 1, 2008.

State and local agencies and their auditors may use whatever CFDA number they have customarily used to identify commodity assistance in the SEFAs and SF-SAC forms for audits covering auditee fiscal years that began before May 1, 2008. Auditors that have already issued reports on such audits, using CFDA number 10.550 for this purpose, need not re-issue them. The rationale for this position is that the CFDA in effect when these audit periods began still gave 10.550 as the CFDA number for Food Distribution. If the auditor and/or auditee use(s) CFDA number 10.550 as a generic Food Distribution identifier, the full disclosure principle necessitates that they include the following statement as a note to the SEFA:

"CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. The audit covering (name of auditee) fiscal year beginning (date), and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs under which USDA donated the commodities."

Audit Periods Beginning on or After May 1, 2008.

For audits of auditee fiscal years beginning on or after May 1, 2008, State and local agencies and their auditors **must** identify commodity assistance by the CFDA numbers of the categorical programs under which USDA donated the commodities. We recommend the following presentations:

For the SEFA.

Exhibit E to the A-133 Q&As we issued in 1999 presented two suggested formats for presenting cash and commodity assistance for the Child Nutrition Cluster in the SEFA. That exhibit is attached to this memorandum. We consider it suitable for the other affected programs as well.

For the SF-SAC.

Page 3 of the SF-SAC gives a matrix in which the auditee and/or auditor can list the auditee's Federal awards by CFDA number and provide additional information about them. For entering programs for which the auditee received commodity assistance, we recommend reporting the program's cash and commodity components on separate lines but using the same CFDA number for both. For example, an auditee that operated the National School Lunch Program would enter "10.555" and "National School Lunch Program – Cash" on one line; and "10.555" and "National School Lunch Program – Commodities" on the following line. Since both are elements of the Child Nutrition Cluster, both must be identified as major in column (g), page 3 of the SF-SAC whenever the Cluster as a whole is audited as a major program.

Please share this information with your Special Nutrition Programs counterparts, with the State agencies for which you have oversight responsibility, and with the audit communities in their States.

Lael J. Lubing
Director
Grants Management Division

Attachment

cc: Marbie Baugh, OIG
Rachel Bishop, OGC
Peter Laub, OCFO
Cynthia Long, CND
Cathie McCullough, FDD
Gilbert Tran, OMB

FNS:FM:GMD:Lipsey:10-29-2008.Revised01-29-2009.Revisedjdh:01-30-2009.Revisedjdh:02-03-2009.Revised02-23-2009.

GMD Filing Classification: FPI-18-2 (Audit Policy)

File name: "FD CFDA 10.550"

APPENDIX L (Cont'd)

Exhibit E
Page 1 of 2

SUGGESTED PRESENTATIONS OF THE CHILD NUTRITION CLUSTER IN THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EXAMPLE 1 - Focus on Assistance Component:

U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through - State Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	$xx,xxx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
Non-Cash Assistance Subtotal			$xx,xxx,xxx
Cash Assistance:			
School Breakfast Program	10.553	$xxx,xxx,xxx	
National School Lunch Program	10.555	xxx,xxx,xxx	
Special Milk Program for Children	10.556	xx,xxx	
Summer Food Service Program for Children	10.559	x,xxx,xxx	
Cash Assistance Subtotal			xxx,xxx,xxx
Total for Program (Cluster)			$xxx,xxx,xxx
Total for Federal Grantor Agency			

APPENDIX L (Cont'd)

Exhibit E
Page 2 of 2

EXAMPLE 2 - Focus on Categorical Programs:

U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through - State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program - Cash Assistance	10.553		$xx,xxx,xxx
National School Lunch Program	10.555		
Cash Assistance		$xx,xxx,xxx	
Non-Cash Assistance (Commodities)		x,xxx,xxx	
National School Lunch Program Subtotal			xx,xxx,xxx
Special Milk Program for Children - Cash Assistance	10.556		xx,xxx
Summer Food Service Program for Children	10.559		
Cash Assistance		x,xxx,xxx	
Non-Cash Assistance (Commodities)		xxx,xxx	
Summer Food Service Program Subtotal			x,xxx,xxx

Total for Program (Cluster)			$xx,xxx,xxx
Cash Assistance Subtotal		$xx,xxx,xxx	
Non-Cash Assistance (Food Distribution) Subtotal		$x,xxx,xxx	

APPENDIX M: USDA Memorandums: Paid Lunch Guidance: Guidance for School Year 2021-22

USDA
United States Department of Agriculture

Food and Nutrition Service

Braddock Place

1320 Braddock Place
Alexandria
VA 22302

DATE: January 22, 2020

MEMO CODE: SP-07-2020

SUBJECT: Paid Lunch Equity: Guidance for School Year 2020-21

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

In Section 747 of Division B of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) (the Appropriations Act), enacted on December 20, 2019, Congress provides that only school food authorities (SFAs) that had a negative balance in the nonprofit school food service account as of December 31, 2019, shall be required to establish prices for paid lunches according to the Paid Lunch Equity (PLE) provisions in Section 12(p) of the Richard B. Russell National School Lunch Act, 42 U.S.C. 1760(p) and implemented in National School Lunch Program regulations at 7 CFR 210.14(e).

Consistent with the terms of the Appropriations Act, this memorandum provides notice that any SFA with a positive or zero balance in its nonprofit school food service account as of December 31, 2019, is exempt from PLE pricing requirements found at 7 CFR 210.14(e) for school year
(SY) 2020-21. SFAs that had a negative balance in the nonprofit school food service account as of December 31, 2019, must follow PLE requirements when establishing their prices for paid

USDA is an Equal Opportunity Provider, Employer and Lender

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

lunches in SY 2020-21. This flexibility is currently in place for SY 2019-2020 (see https://www.fns.usda.gov/nslp/paid-lunch-equity-guidance-school-year-2019-20).

Because the Appropriations Act affects one school year only, FNS recommends that State agencies maintain documentation that includes which SFAs are using the PLE exemption for SY 2020-21 in order to demonstrate State agency oversight of this provision. This documentation should include a record that each SFA implementing the exemption had a positive or zero
balance in the nonprofit school food service account as of December 31, 2019. This documentation may be reviewed by FNS upon request and during a Management Evaluation.

While SFAs that meet the Appropriations Act's criteria are exempt from the PLE pricing requirements, all State agencies and SFAs must continue to report paid lunch prices as required in regulations at 7 CFR 210.14(e)(7). SFAs still maintain the discretion to complete the steps necessary to determine their target SY 2020-21 paid lunch price, consistent with Program regulations at 7 CFR 210.14(e), and adjust their paid meal prices accordingly. Please note, the SY 2020-21 PLE tool and instructions will be provided in a separate communication.

State agencies are reminded to distribute this memorandum to Program operators. Program operators should direct any questions concerning this guidance to their State agency. State agencies with questions should contact the appropriate FNS Regional Office



Angela Kline
Director
Policy and Program Development Division
Child Nutrition Programs

APPENDIX M: Nonprofit School Food Service Account/Nonprogram Food Revenue Requirements

USDA
United States Department of Agriculture

Food and Nutrition Service

Park Office Center

3101 Park Center Drive
Alexandria
VA 22302

DATE: December 23, 2015

MEMO CODE: SP 20 - 2016

SUBJECT: Nonprofit School Food Service Account
Nonprogram Food Revenue Requirements

TO: Regional Directors
Special Nutrition Programs
All Regions

State Directors
Child Nutrition Programs
All States

Section 206 of the Healthy, Hunger-Free Kids Act of 2010 (HHFKA) amended section 12 of the Richard B. Russell National School Lunch Act by adding paragraph (q) on nonprogram foods. This amendment established requirements related to the revenue from the sale of nonprogram foods. On June 17, 2011, the Food and Nutrition Service (FNS) issued an interim rule, *National School Lunch Program: School Food Service Account Revenue Amendments Related to the Healthy, Hunger-Free Kids Act of 2010* (76 FR 35301), amending the requirements related to revenue from nonprogram foods at 7 CFR 210.14(f). FNS also issued guidance related to implementation of section 206 in policy memorandums SP 13-2014 at http://www.fns.usda.gov/sites/default/files/SP13-2014os.pdf and SP 39-2011 at http://www.fns.usda.gov/sites/default/files/SP39-2011r.pdf.

State agencies and school food authorities (SFAs) continue to pose questions regarding implementation of these requirements and the interaction with the existing revenue requirements found in 7 CFR 210.14(a). This memorandum provides guidance on the revenue requirements including options for assessing compliance to fulfill the requirements in section 206.

Nonprogram Revenue Requirements

Under subsection 12(q) of the Richard B. Russell National School Lunch Act and 7 CFR 210.14(f), SFAs are required to ensure:

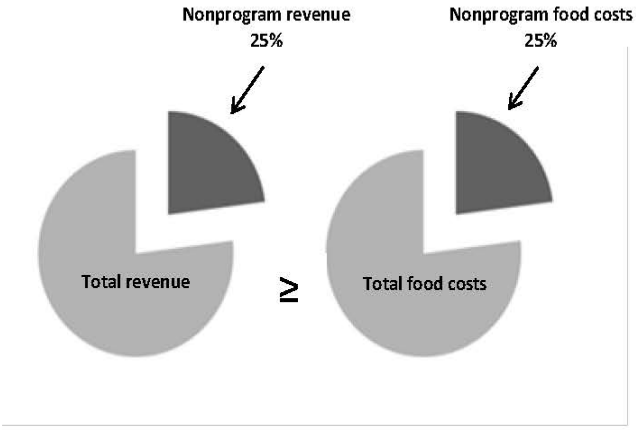
- All revenue from the sale of nonprogram foods accrues to the non-profit school food service account; and
- Revenue available to support the production of reimbursable school meals does not subsidize the sale of nonprogram foods.

AN EQUAL OPPOR

The contents of this guidance document do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

Nonprogram foods include any nonreimbursable foods and beverages **purchased using funds from the nonprofit school food service account.** This encompasses all foods sold in schools as well as adult meals, foods sold outside of school hours or any foods used for catering or vending activities. For the majority of SFAs, a la carte foods offered during meal service account for the largest share of nonprogram foods.

SFAs are required to determine if the percent of total revenue that is generated from their nonprogram food sales is equal to or greater than the percent of total food costs that are attributable to the SFA's purchase of nonprogram foods. For example, if the costs of nonprogram food are 25 percent of the SFA's total food costs, then the amount of revenue generated from the sale of these nonprogram foods must be at least 25 percent of the total revenue in the school food service account.



To simplify the assessment, the statutory requirement states that only food costs are to be used to measure compliance. Research indicates that the cost of nonprogram foods, as a percent of total food cost, is a reasonable proxy for all costs associated with obtaining foods, (i.e., the cost of food, labor, direct and indirect costs). This means if an SFA is able to show that the percent of nonprogram food costs is less than the percent of nonprogram revenues, the SFA generated enough revenue to cover all reported costs associated with nonprogram foods. Thus, the requirement focuses on nonprogram food costs as a percent of total food costs in an effort to simplify the requirement and eliminate the burden of documenting labor and other costs.

Nonprogram Foods Sale Transactions

When nonprofit school food service account funds are used to provide goods and services (e.g., catering and vending) for outside entities such as the superintendent's office, school board, or student clubs, there are two separate transactions that occur. The first transaction is between the school food service and the outside entity, which is typically associated with the school district

but separate from the school food service, and the second transaction is between the outside entity and its customers. The school food service may provide goods and services to the outside entity only if **all** costs, including labor and any other costs incurred, are covered by the entity being served by the school food service operations (the first transaction). Any revenue generated through the second transaction between the outside entity and its customers may be kept by the outside entity. For example, an SFA may use nonprofit school food service account funds to purchase and prepare hamburgers for the Parent Teacher Association (PTA) which runs a high school concession stand during football games. If the cost associated with purchasing and preparing the hamburgers is $2 per hamburger, the SFA must recoup at least $2 per hamburger from the PTA; the PTA may then sell each hamburger for $3 and keep the $1 profit per burger.

SFAs providing goods and services to outside entities are strongly encouraged to develop a written agreement with the outside entity that identifies costs and any other responsibilities, as applicable. The agreement must include a stipulation that all risk relating to revenue losses must be covered by the outside entity and not the school food service. For example, if the PTA who is purchasing the hamburgers in the example above is unable to sell them due to the game being cancelled, the PTA is still responsible for reimbursing the food service the costs associated with the purchase and any labor that was involved in the SFA's preparation of the hamburgers.

Program regulations do not restrict revenues earned from the sale of competitive foods that are purchased with funds outside of the nonprofit school food service account, i.e. the general fund. However, State agencies and SFAs are reminded that to the extent such foods are sold on the school campus during the school day, the "Smart Snack" requirements at 7 CFR 210.11 apply.

Assessing Compliance Options

FNS understands there is wide variation in the capabilities of systems and mechanisms SFAs employ to maintain and monitor their school food service accounts. Separating out the SFA's costs for nonprogram foods from the costs for program food may be particularly difficult. In recognition of the current variations in system capabilities, FNS is providing a simplified approach for SFAs to assess compliance with this requirement going forward.

The simplified approach, while still requiring SFAs to separate their nonprogram food costs from their program food costs, allows SFAs to select a reference period by which compliance will be assessed. Rather than separating all costs for the entire year, SFAs will separate their nonprogram food costs from their program food costs for a period of at least 5 consecutive operating days (or 4 consecutive days for schools that only operate 4 days).

If the SFA is able to show that the percentage of nonprogram revenue generated is at least as great as the percentage of nonprogram food costs incurred during the reference period, the SFA is in compliance with Federal requirements.

SFAs with the capacity to obtain separate nonprogram and program food cost and revenue data for a period longer than 5 consecutive days (e.g., monthly, annual, biweekly) are strongly encouraged to use data from the longer period to perform the assessment. All revenue and cost

data used to assess compliance must reflect the same reference period. For example, if the revenue ratio is calculated using October 2014 data, the cost ratio must be calculated with October 2014 data. Similarly, if revenue information from the full 2014-2015 school year is used to calculate the revenue ratio, food cost information for the full 2014-2015 school year must be used to calculate the food cost ratio.

Detailed guidance on how to perform the cost/revenue assessment is provided in the attached question and answer document.

State agency monitoring

Compliance with the nonprogram revenue requirement is reviewed through the resource management section of the Administrative Review process. While noncompliance with the revenue from nonprogram foods requirements is not subject to fiscal action as defined under 7 CFR 210.18(m), State agencies must ensure that SFAs secure funding to make up any shortfalls in the nonprofit school food service account and/or otherwise take steps to ensure that nonprogram foods are priced sufficiently to meet the nonprogram foods requirement. It is important for State agencies and SFAs to work together to develop practices to ensure the financial viability of the nonprofit school food service account.

State agencies are reminded to distribute this guidance to SFAs immediately. SFAs should contact their State agencies for additional information. State agencies may direct any questions concerning this guidance to the appropriate FNS Regional Office.

Original Signed

Sarah E. Smith-Holmes
Director
Program Monitoring and Operational Support Division
Child Nutrition Programs

Assessing Compliance with Nonprogram Revenue Requirements

Overview of Assessment

1. What formula must be used to assess compliance?

Regulations at 7 CFR 210.14(f) require SFAs to ensure the revenue ratio is greater than or equal to the food cost ratio, as follows:

$$\frac{Nonprogram\ food\ revenue}{Total\ \ program\ \ and\ nonprogram\ \ revenue} \geq \frac{Total\ nonprogram\ food\ costs}{Total\ program\ and\ nonprogram\ food\ costs}$$

2. Are there alternative calculations SFAs may use other than the food cost/revenue proportion to assess compliance?

No. The revenue/food cost ratio is required by statute and regulations. FNS evaluated a number of alternative strategies but found none that would accurately capture statutory and regulatory intent.

However, SFAs with a full cost accounting system, one designed to measure the complete, true costs of goods and services or those that establish the sale price of nonprogram foods by a certain percentage mark-up, may actually be in compliance. SFAs will only be considered compliant if they meet the minimum requirements set forth in 7 CFR 210.14(f) and as described in this and other applicable policy memoranda.

3. How should school food service operations that offer a limited number of a la carte items (i.e. milk only) comply with nonprogram foods requirements?

Some SFAs may offer a limited number of nonprogram food items with an identifiable per serving cost (i.e., only sell milk a la carte) and are not able to accurately perform the assessment. In these instances, the SFA may be charging the full cost for the nonprogram foods offered, but due to the small number of these items in relation to the total revenue and cost, the assessment may overestimate the required increase.

State agencies may review these SFAs and determine that the compliance assessment does not fully represent the SFA's pricing practice and may instead base compliance on whether or not the SFA is recovering more than the per-serving food cost of these nonprogram items.

4. How is the revenue ratio established?

To establish the *revenue ratio*, divide the nonprogram food revenue by the total revenue of the school food service account.

$$Revenue\ ratio\ = \frac{Nonprogram\ food\ revenue}{Total\ \ program\ and\ nonprogram\ revenue}$$

The nonprogram revenue is the revenue generated from the sale of nonprogram foods. The total revenue is the sum of revenue from program foods plus the revenue from the sale of nonprogram foods, both of which are deposited into the SFA's nonprofit school food service account. To assist SFAs, FNS developed the *Nonprogram Foods Revenue Tool*, which identifies the dollar amount when a discrepancy occurs.

5. How is the food cost ratio established?

To establish the *food cost ratio*, divide the sum of all nonprogram food costs by total food costs.

$$Food\ cost\ ratio = \frac{Total\ nonprogram\ food\ costs}{Total\ program\ and\ nonprogram\ food\ costs}$$

Total nonprogram food costs are the food costs for all nonprogram food purchased with funds from the nonprofit school food service account. The total program and nonprogram food costs are the food costs for both program and nonprogram foods purchased with funds from the school food service account.

6. How does the comparison of the revenue ratio to the food cost ratio work?

The SFA must compare the revenue ratio to the food cost ratio and determine if the revenue ratio is equal to or greater than the food cost ratio. If the revenue ratio is equal to or greater than the food cost ratio, the SFA is properly pricing nonprogram foods and no further action is required.

$$Revenue\ ratio \geq Food\ cost\ ratio$$

If the revenue ratio is less than the food cost ratio, the SFA has priced nonprogram foods too low, and must increase nonprogram food prices until the revenue ratio is equal to or greater than the food cost ratio or contribute non-federal funds to the nonprofit school service account to address the revenue shortfall.

Step 1: Determining the reference period

7. Who establishes the reference period?

State agencies may establish the reference period for all SFAs or the State agency may allow each SFA to establish the reference period. The reference period may be a school week, a month, or year; however, the reference period must include at least 5 consecutive operating days (or 4 consecutive days for schools operating a 4 day week). The selected days must represent typical food service operations. Assessments cannot include data from summer school, holidays, or vacations or special circumstances that might distort the program and nonprogram foods data.

8. What data is needed for the reference period?

SFAs must collect the following SFA-wide information for the reference period:

- For nonprogram food revenue, the dollar amount of nonprogram food sales, including a la carte sales, adult meals, vending machines, and any other nonprogram food purchased with nonprofit school food service account funds.
- For total revenue, the dollar amount of program and nonprogram food sales.
- For nonprogram food cost data, include:
  - An itemization of all nonprogram foods to be offered during the reference period;
  - The per item/serving cost of each nonprogram food, including food sold only as nonprogram food, food sold as program and nonprogram food (crossover food);
  - The number of servings/items sold.
- For total food cost data, include all nonprogram food cost data and program food cost data. Program food cost data should be readily available using production records, invoices, etc.

Step 2: Identifying nonprogram foods offered during the reference period

9. What is a nonprogram food?

A nonprogram food means any food (other than reimbursable meals) or beverage purchased using nonprofit school food service account funds. Examples of nonprogram foods include a la carte foods, adult meals (see FNS Instruction 782-5) and food items purchased for vending machines, school stores, etc.

10. Must I identify all nonprogram foods offered throughout the school year?

For purposes of the nonprogram foods cost/revenue assessment, the SFA must identify only those nonprogram foods sold during the reference period.

11. How should costs and revenue from catering, vended meals, or purchasing for other entities be included in this assessment?

Due to potential complexities of accounting for food cost and revenues from catering, vended meals, or purchasing for other entities, including these costs and revenues during a reference period is not required.

SFAs may choose to include these costs/revenues to simplify the assessment. SFAs including these food service activities in their assessment MUST include BOTH the food costs of providing these services and the revenues generated in the calculations for the selected reference period.

If the revenues from these activities are not included in the calculation of the total revenue and cost ratios, SFAs must be able to provide proper documentation, such as purchase agreements, invoices, the agreement with the entity and information demonstrating the recovery of the full costs.

Step 3: Determining Nonprogram Food Costs

12. How is the total nonprogram food cost determined?

Total nonprogram food costs are the cost of all foods sold during the reference period, including foods sold only as nonprogram foods, and foods served in program meals and also sold as a nonprogram meal (crossover items).

To determine the total food cost of all nonprogram foods for the reference period:

a. Determine the food cost for each nonprogram food sold by multiplying the cost per serving/item by the quantity sold as a nonprogram food.

b. Add the food cost for each nonprogram food. The sum of the costs of all nonprogram food items sold during the reference period will be the total nonprogram food cost amount entered as the numerator in the food cost ratio.

Food cost for nonprogram item # 1 *(cost per serving X quantity sold as nonprogram food)* + Food cost for nonprogram item # 2 *(cost per serving X quantity sold as nonprogram food)* + Food cost for nonprogram item # 3 *(cost per serving X quantity sold as nonprogram food)* Nonprogram food costs for the reference period

13. If records do not separate program and nonprogram food costs, how are these costs determined?

If records do not separate program and nonprogram food costs, SFAs are required to identify (a) all nonprogram foods sold during the reference period and (b) for each nonprogram food sold, identify the cost per serving/item by the quantity sold as a nonprogram food.

14. How do SFAs with fixed price Food Service Management Company (FSMC) contracts comply with the nonprogram foods requirements in 7 CFR Part 210.14?

An SFA with a fixed price FSMC contract may not have the food cost data needed to determine its compliance with the revenue from nonprogram foods requirements. This is because food costs are not disclosed in a fixed price contract awarded on a per meal basis and when revenues from nonprogram foods sales are converted into meal equivalents to which the fixed price cost is applied. To obtain the information it needs, an SFA issuing a solicitation for a fixed price contract should include language in its FSMC solicitation requiring respondents to agree to provide nonprogram foods cost information and ensure that the final fixed price contract implemented reflects this requirement. Fixed price FSMC contracts for SY2016-2017 must be amended to include this information for compliance with the nonprogram foods and revenues requirement in 7 CFR Part 210.14.

In the soon-to-be-released updated version of FSMC Guidance Handbooks for State agencies and SFAs, FNS will address this issue.

The updated FSMC guidance will provide the following instructions:

In the solicitation and contract, it is crucial for SFAs to provide specific information about the food service operation and all required products and services they are seeking to procure. For example, essential information includes:

- For fixed price per meal contracts, awarded on a per meal basis and with revenues from nonprogram foods sales converted into meal equivalents to which the fixed price cost is applied, the FSMC will annually provide information on food costs and revenues. The information must include food cost for reimbursable meals, food cost for non-program foods, revenue from non-program foods, and total revenue. Nonprogram foods include: a la carte; catering; vending; and student stores operated, or any other sales generated through the nonprofit school food service account not already described. This information is used to determine compliance with revenue from nonprogram foods at 7 CFR 201.14(f).

- Historical information on the type and value of nonprogram foods and meals to be offered such as other food service operations, for example, catering. When the FSMC will be responsible for providing the SFA with, or calculating nonprogram food costs and program revenues for compliance with the 7 CFR Part 210.14(f), the contract must clearly identify this requirement.

15. How is the cost determined for foods sold only as nonprogram foods?

For each food sold only as a nonprogram food, determine a per serving/item cost by dividing the case cost by the number of servings per case.

$$\frac{Case\ cost}{Number\ of\ servings/items\ per\ case} = cost\ per\ serving/item$$

For example, if a bag of whole grain oatmeal chocolate chip cookies is only sold on the a la carte line or in a vending machine, the price per bag should be determined using invoices and other information.

16. How is the cost determined for foods prepared from scratch and/or sold as both part of a reimbursable meal and as an a la carte item?

"From scratch" is an idiom meaning from the beginning. Therefore, food items prepared "from scratch" are food items that have been prepared from the beginning, using a recipe of ingredients yielding an end product. Crossover items are those foods sold as a part of a program meal and also served as a nonprogram food, (e.g., a serving of lasagna sold as part of a reimbursable meal and also as a single item on the a la carte line).

For each, determine per serving costs using food invoices to calculate the cost of ingredients and per serving cost in a recipe, and production records to determine the number of servings prepared. Determining per serving food costs may be difficult particularly for SFAs that prepare foods "from scratch".

$$\frac{Sum\ of\ major\ food\ costs\ in\ recipe}{Total\ Number\ of\ servings\ recipe\ yields} = Cost\ per\ serving\ of\ recipe$$

SFAs should use the recipe and ingredient costs to develop a reasonable estimate for these items and may use discretion when including spices and other ingredients that are added in minimal amounts to the recipes.

17. Is a costing adjustment required if the portion of an item used in both the reimbursable meal and a la carte line is larger when sold as a nonprogram food?

The serving size is a major factor in determining the per item cost. For example, school lunch pizza may be cut to 10 slices per pizza but that same pizza is cut to only 8 slices per pizza for nonprogram slices. If the price per pizza is $7.50, the per slice cost for the school lunch program would be $0.75/serving ($7.50/10) and for the nonprogram serving it would be $0.94 per slice ($7.50/8).

The Institute of Child Nutrition's Food Buying Guide (http://fbg.nfsmi.org/) provides useful information for determining the serving sizes for food items either sold individually or incorporated into recipes.

18. How is the food cost for items used as both program and nonprogram foods determined?

The easiest way to determine the price for items that may be served as either program or nonprogram food is to determine the cost for the smallest serving size offered and then modify the costs accordingly for other serving sizes offered.

For example, if the SFA determined that the costs of a ½ cup of marinara served with spaghetti as part of a reimbursable meal is $0.80 and the same marinara is served as a dip for breadsticks on the a la carte line as a ¼ cup serving, then the cost per ¼ cup serving should be determined as $0.40. The price for the serving of marinara with the breadstick (1/4 c.) would be half the price of the amount served with the spaghetti (1/2 c.). These amounts should then be added accordingly to the price per serving of breadsticks or spaghetti.

$$Example\ 1: Price\ per\ serving\ of\ breadsticks\ (2) = \$0.12$$
$$Price\ per\ serving\ of\ Marinara\ \ and\ breadsticks = \$0.40 + \$0.12 = \$0.52$$

$$Example\ 2: Price\ per\ serving\ of\ spaghetti\ (1\ cup) = \$0.08$$
$$Price\ per\ serving\ of\ Marinara\ \ and\ spaghetti = \$0.80 + \$0.08 = \$0.88$$

Step 4: Interpreting the Results

19. What steps should be taken if the revenue/food cost ratio comparison indicates that the revenue ratio is higher than the food cost ratio?

No further action is required. If the revenue ratio is equal to or greater than the food cost ratio, the nonprofit school food service account is not subsidizing nonprogram food activity.

20. What if the food cost ratio is higher than the revenue ratio?

If the food cost ratio is higher than the revenue ratio, the nonprofit school food service account is subsidizing the cost of nonprogram foods and the SFA must revise its nonprogram food pricing structure to increase the revenue to ensure the revenue ratio is greater than or equal to the food cost ratio. Alternatively, the SFA could provide non-federal funds in the amount of the revenue shortfall to the nonprofit school food service account. For example, if the revenue ratio is 21 percent and the food cost ratio is 23 percent, action must be taken to raise the price of nonprogram food or add non-federal funds as appropriate.

21. What actions can be taken to raise the price of nonprogram foods?

Simply raising revenue by the difference between the two ratios for each nonprogram food item will not resolve the discrepancy (i.e., in the pie chart example, raising the cost of all nonprogram foods by 5% will most likely not be sufficient).

To assist SFAs, FNS developed the *Nonprogram Foods Revenue Tool*, which identifies the dollar amount when a discrepancy occurs. Knowing the dollar amount of the shortfall allows SFAs to determine appropriate adjustments to their nonprogram food pricing structure.

There are a range of actions an SFA may take to adjust prices, including:

- If certain nonprogram food items are not generating enough revenue to cover the costs of producing the items, increase the price of these items to more accurately

reflect the cost or re-evaluate whether these items should be sold as nonprogram foods.

- If multiple nonprogram foods are sold as a unit and are also offered as a reimbursable meal, price the nonprogram food unit above the cost of the reimbursable meals.
- Selectively increase the prices of some but not all nonprogram foods items (i.e. less healthy food marked up by a greater amount than healthier choices).
- Review sales records and increase the prices of the more popular items.

22. Must SFAs increase the prices of all nonprogram foods?

SFAs have discretion in how prices of nonprogram foods are adjusted. For example, SFAs may wish to not raise the prices for a la carte fruits and vegetables but raise prices for other a la carte foods.

APPENDIX N: Supportive Information

SUPPORTIVE INFORMATION

Fiscal Year Ending June 30, 2021

County/District Name/CATE Center _____ County/District ID _____

[1] ASSESSED VALUATION AND MILLS LEVIED **AS OF DECEMBER 31, 2020**
Value of all taxable property within this school district $ _____

	Current Operations	**Debt Service**
Total Mills Levied for K-12 Education:	_____	_____

Of the total mills levied listed above, specify how many mills (if any) were levied for the County Board of Education and/or for special purposes.

Mills Levied for:	**Current Operations**	**Debt Service**
County Board	_____	_____
Area Vocational Center	_____	_____
County-Wide	_____	_____
Special Purposes	_____	_____

[2] NUMBER OF FULL-TIME EQUIVALENT (FTE) TEACHERS FUNDED THROUGH THE GENERAL FUND:

For EFA audit purposes, each district must maintain the appropriate documentation (payroll, Master Teacher Schedule, etc.) to support the FTE counts calculated. **IN EACH OF THE FOLLOWING AREAS, PLEASE EXPRESS FTEs IN HUNDREDTHS (Example: 12.07).**

1. Kindergarten	_____	9. Visually Handicapped	_____
2. Primary	_____	10. Hearing Handicapped	_____
3. Elementary	_____	11. Speech Handicapped	_____
4. High School	_____	12. Learning Disabilities	_____
5. Vocational	_____	13. Emotionally Handicapped	_____
6. Educ. Ment. Handicapped	_____	14. Autism	_____
7. Train. Ment. Handicapped	_____	*15. Homebound	_____
8. Orthoped. Handicapped	_____		
		TOTAL	_____

*To determine the FTE teacher count for Homebound teachers, divide the total number of hours of Homebound instruction provided by 900.

Hourly Pay Rate for Homebound Instruction _____

[3] INDIRECT COST INFORMATION (For unrestricted rates):

	Acquisition Cost		**Depreciation Percentage (6 2/3%)**		**Allowable Depreciation**
Usable Equipment (Include all items on inventory not fully depreciated as of current year)	_____	X	.066	=	_____

SUBMIT COMPLETED FORM WITH AUDIT REPORT BY: DECEMBER 1, 2021
by accessing the LEA Audit Reporting System.

APPENDIX N (Cont'd)

Guidance for the Supportive Information Form Section [3]INDIRECT COST INFORMATION (for unrestricted rates)

2 CFR Part 200 eliminated the use allowance method and now only allows for the depreciation method (See 2 CFR 200.436 Depreciation. below). Therefore, the use allowance calculation is no longer included on the Supportive Information Form and use allowance will no longer be included in the indirect cost rate calculation for the unrestricted rate beginning with indirect cost rates calculated for fiscal year 2021-22. The SCDE uses the following calculation to determine the amount of depreciation to include in the unrestricted indirect cost rate calculation:

Acquisition Cost X 6 2/3% (0.66) = Allowable Depreciation

Please keep in mind the following requirements when determining the acquisition cost amount to include on the form:

1. The acquisition cost amount should only consist of capital/fixed assets defined in 2 CFR 200.436 (a).
2. The acquisition cost amount should exclude the following:
    a. The cost of land;
    b. Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;
    c. Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and
    d. Any asset acquired solely for the performance of a non-Federal award.
3. The acquisition cost amount should not include assets that have outlived their depreciable lives.
4. The acquisition cost amount must be based on the amount included in the annual audit report.
5. Adequate property records must be maintained that support the acquisition cost amount included on the form.
6. A physical inventory of the assets must be conducted at least every two years.

2 CFR Part 200 eliminated the use allowance method and now only allows for the depreciation method (See 2 CFR 200.436 Depreciation. below). Therefore, the use allowance calculation is no longer included on the Supportive Information Form, and use allowance will no longer be included in the indirect cost rate calculation for the unrestricted rate beginning with indirect cost rates calculated for fiscal year 2021-22. The SCDE uses the following calculation to determine the amount of depreciation to include in the unrestricted indirect cost rate calculation:

Acquisition Cost X 6 2/3% (0.66) = Allowable Depreciation

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1. The acquisition cost amount should only consist of capital/fixed assets defined in 2 CFR 200.436 (a).
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    a. The cost of land;

b. Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;
c. Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and
d. Any asset acquired solely for the performance of a non-Federal award.

3. The acquisition cost amount should not include assets that have outlived their depreciable lives.
4. The acquisition cost amount must be based on the amount included in the annual audit report.
5. Adequate property records must be maintained that support the acquisition cost amount included on the form.
6. A physical inventory of the assets must be conducted at least every two years.

2 CFR 200.436 *Depreciation.*

a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation.

b) The allocation for depreciation must be made in accordance with Appendixes III through IX.

c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-Federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For the purpose of computing depreciation, the acquisition cost will exclude:

1) The cost of land;

2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government, irrespective of where title was originally vested or where it is presently located;

3) Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity where law or agreement prohibits recovery; and

4) Any asset acquired solely for the performance of a non-Federal award.

d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be

changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-Federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air- conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation
taken each period must also be maintained.

Into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

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(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

APPENDIX O: Accounting and Financial Reporting for Fiduciary Activities-GASB Statement No. 84, Fiduciary Activities and Proposed Implementation Guide of GASB

STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION

MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

MEMORANDUM

TO: School Business Officials

FROM: Hershula D. Davis, Audits Manager
Office of Auditing Services

DATE: May 24, 2021

SUBJECT: Accounting and Financial Reporting for Fiduciary Activities - GASB Statement No. 84, *Fiduciary Activities* and Proposed Implementation Guide of GASB

The South Carolina Department of Education (SCDE), in conjunction with the SCDE Annual Audit Guide Committee, has reviewed the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and its draft implementation guidance for the potential effects on South Carolina school districts. The purpose of the guidance is to clarify, explain, and elaborate on the requirements of Statement No. 84, *Fiduciary Activities*. Paragraph 11 c (2) of Statement No. 84 states:

> An activity is a fiduciary activity if "the assets are for the benefit of individuals and the government does not have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are not derived from the government's provision of goods or services to those individuals."

Included within the Questions and Answers section of the implementation guidance are questions and answers 4.21 and 4.22, which were included to clarify when a school district is considered to have administrative involvement in a school's fiduciary activities and will affect the accounting and financial reporting for certain school district fiduciary activities for which the school district is considered to have administrative involvement. The questions and answers read as follows:

4.21 Q—A school district holds the funds raised by various student clubs, which are not legally separate from the school district. The funds are used to pay for various club activities during the year. There is no school board or school administration policy related to the club's activities and how the resources can be spent. The disbursements from the aggregated club account are approved by the faculty advisor (who is representing the school district) assigned to each club. Approval, rejection, or modification of the spending is strictly at the discretion of the

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STATE OF SOUTH CAROLINA
DEPARTMENT OF EDUCATION
MOLLY M. SPEARMAN
STATE SUPERINTENDENT OF EDUCATION

faculty advisor. Does the school district have administrative involvement, as discussed in paragraph 11 c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because in the absence of an approved policy, the faculty advisor (who is acting in the capacity of a school representative) has the ability to reject, modify, or approve how the resources are spent. The faculty advisor's approval is more than just a formality and is analogous to the example provided in footnote 1 of Statement 84 regarding the determination of eligible expenditures that are established by the government.

4.22 Q—A school board establishes and approves a policy related to the receipt, disbursement, and holding of funds for various student clubs and organizations that are not legally separate from the school district. The policy includes specific guidelines related to how the funds raised by the clubs and organizations can be spent. Does the school district have administrative involvement, as discussed in paragraph 11 c(2) of Statement 84?

A—Yes. The school district does have administrative involvement. The school district's role is considered to be substantive because the school has established specific guidelines on how the resources can be spent in an approved policy.

As a result of the Statement and the related implementation guidance, effective for reporting period ending June 30, 2021 and all reporting periods after, the funds for student activities for which the school district has administrative involvement can no longer be accounted for as pupil activity funds (fiduciary funds) but should be accounted for as special revenue funds. Certain school districts may have student activities that should still be classified as fiduciary in nature; this decision will be on a fund by fund, school district by school district determination.

GASB Statement No. 84 should be adopted and implemented as follows:

a. When reporting student activity funds as SPECIAL REVENUE FUNDS:
   i. Continue to use the 700 funds as you currently report.
   ii. Report all revenues, expenditures, and fund balances in the "Student Activity Funds" column on your Special Revenue – Special Projects combining schedules. This is a newly established column created for student activity funds reported as special revenue funds. We will update the Special Revenue – Special Projects combining schedules to include the "Student Activity Funds (700s)" column.
   iii. Include 700s "Student Activity Funds" as a group on the Special Revenue – Special Projects Subfund Code List.

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It should be noted that when one is using third-party guides, this guide, or other audit guides, the information may not be complete or updated to reflect the latest changes in the authoritative literature.