Financial Management Handbook 2024

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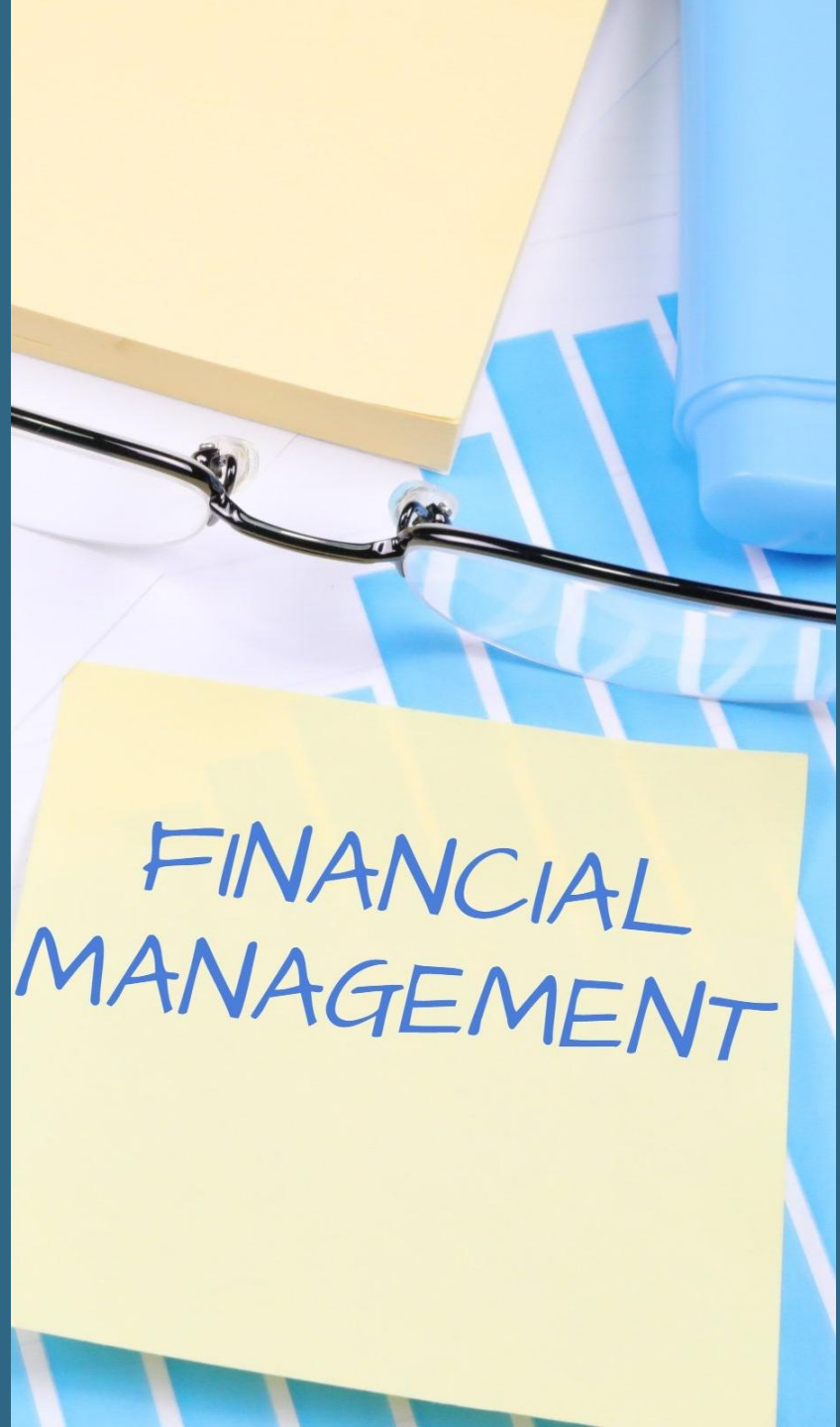
Alabama State Department of Education
CNP School Programs
Conference

What is the Purpose of the CNP Financial Management Handbook?

- The purpose of this system is to provide Chief Financial School Officers, Child Nutrition Directors and Food Service Managers with a financial management tool to aid in decision making and to improve program quality and efficiency in the School Food Authority (SFA) operations.
- Please note that not all LEA accounting codes are allowable under the CNP.
- Please note the current handbook will be located on the www.alabamaachieves.org website. Updates will be uploaded automatically. Information will be provided on Table Talk. Contact cnpnslp@alsde.edu.



Section I: Understanding the SDE Accounting System

The **State Department of Education's** (SDE) Financial Management System is a 27-digit accounting code used for all schools in Alabama to identify each transaction and to provide uniformity of accounting and reporting information.

Please note that purchase orders and requisitions are SFA specific. Therefore, SFA's must develop procedures for including proper code usage on these documents.

Accounting Code

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 5 6 7 8 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

GENERAL LEDGER and SPECIAL REPORTING CODES

1. FUND TYPE and ACCOUNT GROUP
2. ACCOUNT TYPE
3. ACCOUNT CODE (FUNCTION)
4. OBJECT
5. COST CENTER
6. FUND SOURCE
7. APPROPRIATION YEAR
8. PROGRAM CODE
9. SPECIAL USE

Accounting Code
Fund Type and Account Group

1. **Fund Type and Account Group (2 digits)**

used to identify fund types and two account groups

USDA programs are designated as Fund Type 12 (Special Revenue Fund)

Based on 27 Digit Coding/Component Structure
Accounting System Components

1 2 3 4 5 6 7 8 9
__/_/____/___/____/____/_/____/____

General Ledger and Special Reporting Codes

Accounting Code
Account Type

2. <u>Account Type (1 digit)</u>

used to designate five major account types

1	2	3	4	5
Assets	Liabilities	Fund Equity	Revenues	Expenditures

Based on 27 Digit Coding/Component Structure
Accounting System Components

1 **2** 3 4 5 6 7 8 9
_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Function

3. Account Code Function (4 digits)

used to designate balance sheet (assets, liabilities, and fund equity),

revenue and expenditure accounts.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 **3** 4 5 6 7 8 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Object

4. **Object (3 digits)**

used to classify in detail the services or commodities bought or paid for

This identifies the expenditures.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 **4** 5 6 7 8 9

_ _ / _ / _ _ _ _ / **_ _ _** / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Cost Center

5. <u>Cost Center (4 digits)</u>

used to identify each Cost Center

Each school and food service central office is given a different number to identify that site.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 **5** 6 7 8 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Fund Source

6. Fund Source (4 digits)

used to identify the sources of the money

Funds received from USDA-Food and Nutrition are coded 5100-5199, School Lunch Section 11 (5110), School Lunch Section 4 (5120), School Breakfast (5130), Commodities (5160).

However, use 5101 as default except for 5170 for Summer Food Service Program, 5198 Farm to School, and 5199 as CACFP fund source.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 5 **6** 7 8 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Appropriation Year

7. <u>Appropriation Year (1 digit)</u>

used to route activities to specific funding years

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 5 6 **7** 8 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code Program

8. **Program (4 digits)**

used to identify the plan of activities and procedures
designed to accomplish a pre-determined set of objectives

CNP only uses 8420.

Based on 27 Digit Coding/Component Structure

Accounting System Components

1 2 3 4 5 6 7 **8** 9

_ _ / _ / _ _ _ _ / _ _ _ / _ _ _ _ / _ _ _ _ / _ / _ _ _ _ / _ _ _ _

General Ledger and Special Reporting Codes

Accounting Code
Special Use

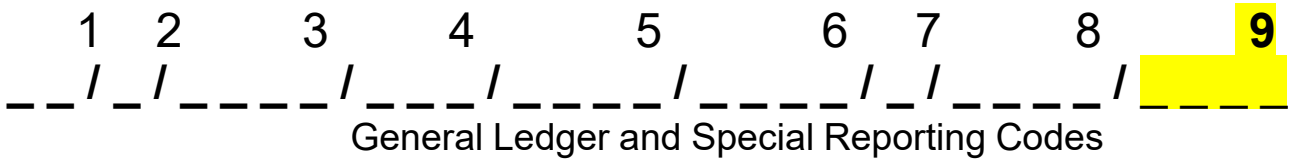
9. Special Use (4 digits)

can be used to determine a greater breakdown for any of the other codes

Transfers to CNP use 0034 (State mandated raises and fringe benefits - Pass Thru)

and Fresh Fruit and Vegetable Program use 0074. SFA's may choose to assign a special use code for Seamless Summer Option (SSO) to separate funding from NSLP.

Based on 27 Digit Coding/Component Structure
Accounting System Components



Sources of Financial Information

Child Nutrition Programs (CNP) Financial Management Handbook

Financial Management Handbook 2025

Local Education Accounting (LEA) Accounting Manual

Accounting Manual

Code of Federal Regulations 7 CFR Parts 210 and 220

eCFR :: 7 CFR Part 210 -- National School Lunch Program

eCFR :: 7 CFR Part 220 -- School Breakfast Program

2 CFR 200

Uniform Grant Guidance

eCFR :: 2 CFR Part 200 -- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

MOST COMMON ACCOUNTING CODES FOR CNP

Please note: If you are attempting to use a code that is not in the CNP Financial Management Handbook, please contact ALSDE CNP for approval.

1	Assets
2	Liabilities
3	Fund Equity
4	Revenue
5	Expenditure

Assets (Function) Codes

1. Use 0115 Change Cash for the cash drawers for each cafeteria.

2. Use 0118 Cash Short (Over) to reflect difference between amounts deposited and amounts reflected on cash register records. A monthly entry can be made for convenience if necessary. This account should be used for each cost center during the fiscal year and should be closed out before year-end closing.
   - If short, close account to Expenditure Object Code, 699, Other Objects.
   - If over, close to Revenue Code, 6990, Other Local Sources.

Liabilities (Function) Codes:

- **0261** **INTERFUND PAYABLE** (Amounts owed (other than charges for goods and services) to another fund in the school system and that are to be paid within the fiscal year. All Interfund Payable accounts should be reconciled before year end.)
  Please note this raises red flags if observed during monitoring reviews.

- **0271** **DEFERRED REVENUE** (A liability account which represents revenues collected before they become due or available for use. Use this account to record the receipt of a revenue that is to be recorded and made available for use during a future fiscal period.)
  Please note that if a school system has pre-paid meal accounts the SDE expects to see Deferred Revenue.

Fund Equity (Function) Codes

RESERVED FOR ENCUMBRANCES
0341

RESERVED FOR INVENTORIES
0342

UNRESERVED FUND BALANCE
0350

ENCUMBRANCE OFFSET
0358

ADJUSTMENTS TO BEGINNING BALANCE
0360

Revenue (Function) Codes: USDA Reimbursement Funds

- 5110 ▶ SCHOOL LUNCH
- 5120 ▶ SCHOOL LUNCH PROGRAM-SECTION 4 (2 CENT DIFFERENTIAL)
- 5125 ▶ AFTERSCHOOL SNACK
- 5130 ▶ SCHOOL BREAKFAST
- 5135 ▶ SEVERE NEED BREAKFAST
- 5140 ▶ SCHOOL BREAKFAST PROGRAM-START UP GRANTS
- 5160 ▶ USDA DONATED FOODS (COMMODITIES)
- 5161 ▶ CNP REBATES USDA DONATED FOOD REBATE FOR USDA FOODS (HAULING)/SAE

Revenue (Function) Codes: USDA Reimbursement Funds

Meal Reimbursement (5110, 5120, 5130, and 5135) –
This is the federal cash payment received for breakfast and lunch meals that meet federal standards and are served to eligible children. The amount received is based on the meal definition (breakfast or lunch), Category (free, reduced, or paid), and school economic status (regular lunch, $0.02 differential, regular breakfast, or severe need breakfast).

5110 (Section 11) and 5120 (Section 4) lunch reimbursement rates:

1. Please note that the current SY2024-2025 Federal Register mandates that School Food Authorities (SFA) budget the base reimbursement rate for free lunch meals ($4.01) and reduced-price lunch meals ($3.61) to 5110 (Section 11 school lunches). The Paid rate ($0.42), Free/Reduced rate ($0.42), or Free/Reduced Differential rate ($0.44), and Performance-based reimbursement rate ($0.09) per meal must be budgeted to 5120 (Section 4 school lunches). As a result, all Local Education Agencies (LEAs) are required to allocate funds to both 5110 and 5120 under the current federal guidelines.
2. This requirement is a federal regulation posted on the Food and Nutrition Service (FNS) website NSLP, SMP, SBP - National Average Payments/Maximum Reimbursement Rates | Food and Nutrition Service, not an Alabama State Department of Education (ALSDE) memorandum. The United States Department of Agriculture (USDA) publishes the annual reimbursement rates for Sections 4 and 11 school lunches each July, which means that coding requirements for 5120 (Section 4) and 5110 (Section 11) will vary annually.

Revenue (Function) Codes: USDA Reimbursement Funds

We understand that this requirement may place an additional burden on SFAs in accurately forecasting budget allocations and recording monthly lunch revenues. To accommodate this, ALSDE will not apply disciplinary action during Administrative Reviews to SFAs that may miscode Section 4 reimbursements under revenue function code 5120 or Section 11 reimbursements under function code 5110, as long as the total school lunch reimbursement revenue for both codes equals the federal reimbursement amount provided to the SFA by ALSDE for FY 2024-2025.

Outlined below is a simplified calculation for the reimbursement rates for SY 2024-2025. Please note that there are two school years in each fiscal year and the rates change each school year.

SFAs Serving less than 60% Free and Reduced-Price Lunches (Regular Lunch Rate):

1. Revenue Function Code 5120 (Section 4) School Lunch Reimbursement:
    a. Paid rate: $0.42 + Performance-based rate: $0.09 = $0.51 per meal
    b. Free rate: $0.42 + Performance-based rate: $0.09 = $0.51 per meal
    c. Reduced rate: $0.42 + Performance-based rate: $0.09 = $0.51 per meal

2. Revenue Function Code 5110 (Section 11) School Lunch Reimbursement:
    a. Free rate = $4.01 per meal
    b. Reduced rate = $3.61 per meal

SFAs Serving 60% or more Free and Reduced-Price Lunches (Safety Net/$0.02 Differential):

1. Revenue Function Code 5120 (Section 4) School Lunch Reimbursement:
    a. Paid rate: $0.42 + $0.02 Differential + Performance-based rate: $0.09 = $0.53 per meal
    b. Free rate: $0.42 + $0.02 Differential + Performance-based rate: $0.09 = $0.53 per meal
    c. Reduced rate: $0.42 + $0.02 Differential + Performance-based rate: $0.09 = $0.53 per meal

2. Revenue Function Code 5110 (Section 11) School Lunch Reimbursement:
    a. Free rate = $4.01 per meal
    b. Reduced rate = $3.61 per meal

Revenue (Function) Codes: USDA Reimbursement Funds

5130 (Regular Breakfast) 5135 (Severe Need Breakfast Rates:

Please note that the LEA must correctly budget and record the federal reimbursement rates for the school breakfast program in the appropriate revenue function code. The breakfast rates vary **per school site** on an annual basis per school year. The LEA fiscal year contains two (2) school years and therefore the LEA must forecast for budgeting and apply the correct revenue rates on a monthly basis.

School Breakfast Program Payments

Overall, payments for the National School Breakfast Program increased due to a 4.03 percent increase in the national average payment rates for schools and residential child care institutions for the period July 1, 2024 through June 30, 2025 in the Consumer Price Index for All Urban Consumers in the Food Away from Home series during the 12-month period May 2023 to May 2024 (from a level of 352.892 in May 2023, as previously published in the Federal Register to 367.099 in May 2024).

These changes are reflected below.

- **For schools "not in severe need" the payments are**: *Contiguous states* —free breakfast—2 dollars and 37 cents (9 cents increase from the SY 2023-24 rate), reduced price breakfast—2 dollars and 7 cents (9 cents increase), paid breakfast—39 cents (1 cent increase);
- **For schools in "severe need" the payments are**: *Contiguous states* —free breakfast—2 dollars and 84 cents (11 cents increase from the SY 2023-24), reduced price breakfast—2 dollars and 54 cents (11 cents increase), paid breakfast—39 cents (1 cent increase);

Revenue (Function) Codes: USDA Reimbursement Funds

- 5170 SUMMER FOOD SERVICE (Must be reported under Fund Source 5170 and not 5101 as a Sponsoring Agent)
- 5192 FRESH FRUIT AND VEGETABLE PROGRAM
- 5193 HEALTHIER US SCHOOL CHALLENGE
- 5194 EQUIPMENT GRANT
- 5195 MEAL PATTERN GRANT
- 5198 FARM TO SCHOOL GRANT
- 5199 CHILD & ADULT CARE (Must be reported under Fund Source 5199 and not 5101 as a Sponsoring Agent)

  Including all CACFP:
  Headstart, Evenstart, and At-Risk Snack

New Revenue (Function) Codes:
USDA FARM TO SCHOOL GRANT

5198 Farm to School Grant:

Accounting for these funds must be separated from all other CNP income and expenditures. Please use fund source 5198 in accounting for these funds. The account codes should reflect the following format:

1. Intergovernmental Receivable: 12-1-0134-000-CCCC-5198-0-0000-0000
2. F2S Formula Grant Funds received: 12-4-5198-000-CCCC-5198-0-0000-0000
3. Travel Pay: 12-5-4210-382-CCCC-5198-0-8420-0000
4. Taste Test & Open House Food Purchases: 12-5-4210-461-CCCC-5198-0-8420-0000
5. Food Service Supplies 12-5-4210-463-CCCC-5198-0-8420-0000
6. Food Production Supplies 12-5-4210-464-CCCC-5198-0-8420-0000

Sub-grant Approved Purchases:

Smallware and small equipment intended to increase farm to school and scratch cooking operations
Examples:

1. Cutting boards, knives, immersion blender, Sunkist or equivalent sectionizer, food processor, roasting pans, regular blender, etc.
2. Food safety items and cleaning supplies may not be purchased under this grant
3. Costs for participants to attend select in-person trainings: Allowable costs include conference registration, hotel rooms, airfare (if applicable), mileage, and M & IE while in travel status.

Revenue (Function) Codes: Non-USDA Funding

This is for Local sources.

- **6710 DAILY SALES-LUNCH**
  (Money received from Paid & Reduced Students lunch sales)
- **6720 DAILY SALES-BREAKFAST**
  (Money received from Paid & Reduced Students lunch sales)
- **6730 DAILY SALES- A LA CARTE**
  (Money received for all food sales from adults, staff, visitors, 2nd meals to students, and extra food item sales)
- **6740 DAILY SALES-OTHER**
  (Vending income credited to Child Nutrition)
- **6750 SPECIAL FUNCTIONS**
  (Catered Events such as, pre-game meals, teacher appreciation dinners, etc.)

Revenue (Function) Codes: Non-USDA Funding
This is for Local sources.

- 6760 ▶ SUMMER FEEDING – VENDING
- 6765 ▶ CACFP – VENDING (NEW)
- 6790 ▶ OTHER FOOD SERVICE INCOME
- 6810 ▶ INTEREST
- 6990 ▶ OTHER LOCAL SOURCES
- 8993 ▶ CNP REBATES - STATEWIDE PROCUREMENT
- 8994 ▶ FOOD DISTRIBUTION REIMBURSEMENT
- 9210 ▶ OPERATING TRANSFERS IN
- 9310 ▶ SALE OF FIXED ASSETS

Revenue (Function) Code Changes:
Farm to School Rebate

2901

Other State Sources: Farm to School Rebate

- Farm to School Rebates: Provide additional funding to sponsors of Child Nutrition Programs (CNP) from the Department Of Agriculture for using locally grown produce.

NOTE: The funds have to be allocated to the school sites by cost center.

Expenditure (Function) Codes:

3100-3900 ▶ **OPERATIONS & MAINTENANCE**

(Not normal to CNP. Most operations and maintenance expenses for CNP are covered by Indirect cost.)

4210 ▶ **FOOD SERVICE**

(Including all School Programs: NSLP, SBP, After School Snack, SSO, Equipment Grant, and TEAM Nutrition Grant)

9340 ▶ **SUMMER FEEDING PROGRAM**

9341 ▶ **CACFP**

Expenditure (Object) Codes: Example

000-299 SALARIES

- 053 Supervisor of CNP
- 168 Other Support-Retired
- 117 Director/Asst. Dir.
- Split-Staff (Part CNP and part General fund)
- 210-290 Fringe Benefits

Expenditure (Object) Codes: Example

300s PURCHASED SERVICES

333	▶	SOFTWARE MAINTENANCE AGREEMENT
335	▶	SUBSTITUTES
341	▶	EQUIPMENT/VEHICLE Repair & Maintenance
*348	▶	GARBAGE & WASTE
*361	▶	TELEPHONE
*371	▶	ELECTRICITY
*372	▶	WATER & SEWAGE
*373	▶	NATURAL GAS
381	▶	TRAVEL-LOCAL
382	▶	TRAVEL-IN-STATE
383	▶	TRAVEL OUT-OF-STATE
393	▶	FOOD SERV. PUR.SER.

* The SFA/LEA must have prior written approval from the Alabama State Department of Education to charge directly for utilities.

Expenditure (Object) Codes: Example

400s MATERIALS & SUPPLIES

- 461 ▶ FOOD
- 463 ▶ FOOD SERVICE SUPPLIES
- 464 ▶ FOOD PROCESSING SUPPLIES
- 469 ▶ OTHER FOOD SUPPLIES
- 471 ▶ OFFICE SUPPLIES
- 479 ▶ OTHER GENERAL SUPPLIES

Expenditure (Object) Codes: Example

400s MATERIALS & SUPPLIES

- **ALSDE is in the process of including the following:**
- **441-Custodial Supplies**
- **442-Maintenance Supplies**
- **449-Other Maintenance and Operation Supplies**

Please note that currently 2025 CNP Financial Management Handbook does not recognize these expense object codes.

Expenditures

General Operating & Food Production Supplies

Food Service or Regular Supplies 463 These items are used in the process of preparing, serving, and storing food. Examples are as follows:

Kitchen Utensils – Cutting knives, measuring devices, spatulas, whips, brushes, thermometers, serving utensils, protective gloves, cutting boards and other such kitchen items are included in this category.
Cookware/Ovenware – Pots, steam pans, cobbler pans, bun pans, skillets, and other similar cookware are examples for this line item.
Preparation Equipment – This category includes scales, timers, can openers, and small equipment such as blenders or hand mixers
Storage/Transport – Pan racks, dunnage racks, utility carts, can storage racks, food storage containers, storage room bins, food transport cart, and other items used for storage or transport of food are classified under this category.
Serving Line Supplies – Plates, flatware, glasses, trays, tray racks, and other similar items are considered serving line supplies.

Expenditures

General Operating & Food Production Supplies

(463) Object Code: General Operating Supplies are those used in administering and operating the school foodservice program.

Food Service Supplies or Regular Supplies 463

Cleaning Compounds
Mops/mop buckets
Steel wool/scouring pads
Hand soaps
Water treatment chemicals
Sanitizer
Paper Towels

Detergents
Brooms/dust pans
Brushes
Trash containers
Dish machine chemicals
Dish racks

Disinfectants
Polishes
Wax/wax stripper
Garbage bags
Drying agents
Toilet paper

Expenditures

General Operating & Food Production Supplies

Food Production/Processing Supplies 464

Paper or disposable supplies used at the school site only for production and service of food are recorded under this classification. Examples are as follows:

- Napkins
- Straws
- Soufflé cups
- Wax paper
- Disposable Aprons
- Disposable forks, spoons, & knives
- Pastry bags
- Filter paper
- Disposable cups
- Foil
- Disposable gloves
- Pan liners
- Parchment
- Disposable plates/trays
- Paper towels
- Disposable table covers

Expenditures

General Operating & Food Production Supplies

Office Supplies 471

These items are used in the district/school office to administer the school food service program. Examples are as follows:

Adding machine tape	Binders	Desk pads
Pens, pencils, markers	Stamp pads	Staplers, staples
Data processing supplies	Printed forms	Masking tape
Time books	Rubber bands	Paper Clips
Scotch tape	Folders	Report covers
Stationery/envelopes	Computer paper	Printer cartridges

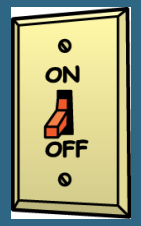
Expenditures

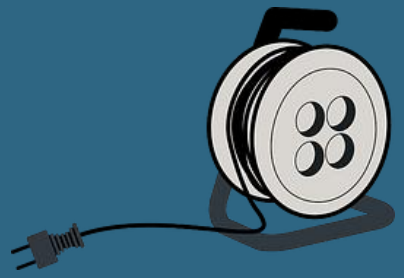
General Operating & Food Production Supplies

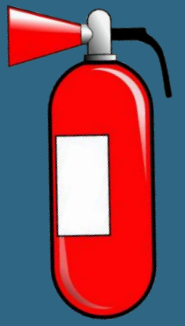
Other General Supplies 479

These items are purchased by the school foodservice program for the in-house repair and upkeep of CNP/USDA purchased equipment. Examples are as follows:

- Light bulbs
- Filters (water, air)
- Water hoses
- Electrical cords
- Fuses
- Floor mats
- Equipment parts
- Service manuals
- Refrigeration supplies
- Fire extinguishers
- Light switches







Expenditure (Object) Codes:

NON-CAPITALIZED EQUIPMENT

(Less than $5000)

- **492 ▶ FURNITURE & FIXTURES**
- **493 ▶ NON-INSTRUCTIONAL EQUIPMENT**
- **495 ▶ COMPUTER HARDWARE**
- **499 ▶ OTHER EQUIPMENT**

Expenditure (Object) Codes:

§ 200.439 Equipment and other capital expenditures.

- Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass through entity.

- Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See 200.436, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also 200.465

Expenditure (Object) Codes:

Alabama State Procedures as defined in the current CNP Financial Management Handbook:

Improvement of Facilities:

1. Except for the purchase of land and buildings, the State Agency retains primary responsibility for determining whether a capital project expenditure is considered an allowable cost.
2. Construction activities which increase the square footage of a building constitute the construction of a building and are not allowable, while renovations or improvements to a structure that do not increase its size would be an improvement of facilities and are therefore potentially allowable. CNP funds could not be used to add a kitchen or a dining area to an existing building. However, they could be used to convert existing space in the building into a kitchen or a dining area.
3. 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.
4. The SFA must request permission in writing before proceeding with any improvement projects paid with CNP funds.

Expenditure (Object) Codes:

Alabama State Procedures as defined in the current CNP Financial Management Handbook:

Criteria used to respond to requests from local school systems on the allowable expenditures of CNP funds:

1. The expenditure must not bring the system's CNP net worth below 3 months' operating balance.
2. All schools in the system must be adequately equipped with basic large equipment.
3. A request for purchase of non-food production items will require an on-site evaluation of food production equipment and facilities by SDE staff member prior to approval. Requests for approval should include the following:
    1. Local school system's CNP net worth.
    2. Description of the project requested.
    3. Name of school where project is proposed.
    4. Estimated cost of project.

Expenditure (Object) Codes:

IMPROVEMENT OF FACILITIES: COMMON UNALLOWABLE COST (Without prior written approval) but not exclusive.

1. **Painting**
2. **Floor Waxing**
3. **Building HVAC (Air Condition purchases, Replacement, Maintenance, or Repair)**
4. **Ceiling Tile**
5. **Electrical or Plumbing installation, maintenance, or repair for the building that is not part of an CNP Equipment purchased with USDA federal funds.**
6. **Maintenance or Repairs to land, building, or equipment that was not purchased with CNP/USDA federal funds.**

Expenditure (Object) Codes:

CAPITAL OUTLAY-EQUIPMENT

($5,000 and >) Requires ALSDE prior Approval.

- **541 ▶ FURNITURE & FIXTURES**
- **545 ▶ COMPUTER HARDWARE**
- **589 ▶ OTHER EQUIPMENT**

Expenditure (Object) Codes:

- **699 ▶ OTHER OBJECTS**
- **910 ▶ OTHER FUND USES**
  - **Indirect Costs**

Expenditure (Object) Codes: Unallowable

- CAPITAL OUTLAY (500-599) Real Property (Use Only in Function 7000 range) (510-519)
  - 511 Land
  - 512 Land Improvement
  - 513 Buildings-Purchased
  - 514 Buildings-Constructed
  - 515 Building Improvements
  - 519 Other Real Property
- **Please note that these are unallowable without prior written approval.**

Expenditure (Object) Codes: Unallowable

- Buildings and Land Improvements Less Than $50,000 Buildings –
  - 701 Constructed, Less Than $50,000
  - 702 Buildings - Purchased, Less Than $50,000
  - 703 Exhaustible Land Improvements Costing Less Than $50,000
  - 704 Building Improvements Costing Less Than $50,000
- Buildings and Land Improvements Less Than $100,000
  - 711 Buildings – Constructed, Less Than $100,000
  - 712 Buildings – Purchased, Less Than $100,000
  - 713 Exhaustible Land Improvements Costing Less Than $100,000
  - 714 Building Improvements Costing Less Than $100,000
- **Please note that these are unallowable without prior written approval.**

Special Issues – Closing of Cost Centers

CONCERNING REVENUES AND OTHER SOURCES OF FUNDS

- Each type of revenue should be coded to each school (cost center) as applicable.
- Each type of revenue should be separately reflected in the accounting records. For example, Daily Sales Breakfast, Daily Sales Lunch, Daily Sales A la Carte, etc.
- Identify required Operating Transfers from the General Fund (Pass Thru) using Special Use Code 0034.
- Allocate the Operating Transfers to each school's cost center.
- Allocate rebates to each school's cost center.
- Ensure that interest income and any type of program income is utilized only by the CNP.
- Distinguish between vending the Summer Food Service Program and sponsoring the Program or participating under "Seamless Summer".

Special Issues – Closing of Cost Centers

SPECIAL ISSUES CONCERNING EXPENDITURES

- All CNP expenditures must be broken down by each school's cost center.
- All Central Office expenditures should be allocated and posted to each school's cost center. Do not maintain a CNP Central Office Cost Center permanently! Distribute costs to each cost center on at least a quarterly basis.
- Post commodity entries by each school's cost center, as applicable.
- Refer to handout, the September 12, 2024, Memo: Procedures for Determining Participation Rates for Allocating USDA Foods and Central Office Purchases.

Special Issues – Closing of Cost Centers

What do these Special Issues mean when closing a school site?

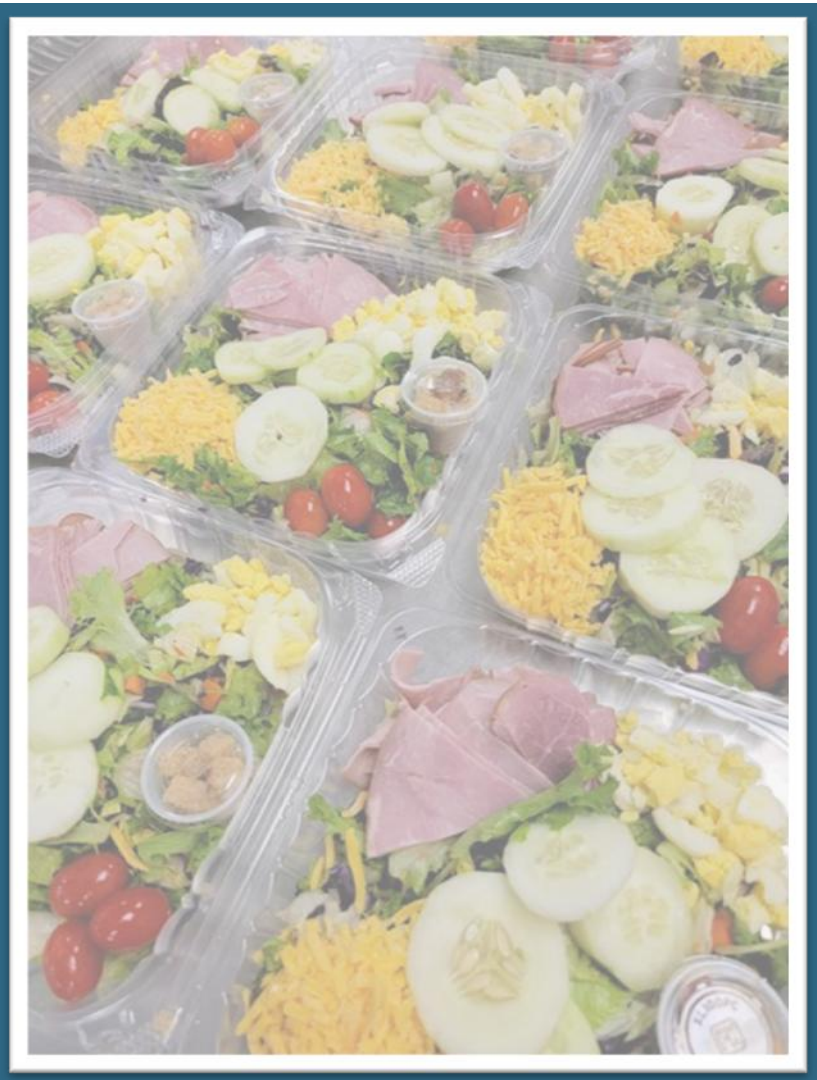
1. LEA's are not allowed to transfer CNP funds from one cost center (school site) to another.
2. LEA's may transfer funds to follow enrolled students from the closing enrolled cost center to the new enrolled cost center.
3. LEA's may transfer CNP equipment from one cost center to another cost center or even another ALSDE CNP program such as CACFP and/or SFSP.
4. LEA's may sell CNP equipment and transfer the revenue to the central office or to reduce a negative fund balance at the closing cost center.

DETERMINING PRICES TO CHARGE AND OTHER SOURCES OF REVENUE

Determination of Meal Prices in the Child Nutrition Program (CNP)

- Student Meal Prices
- Second Meals
- Adult Meal Prices
  - Meal Prices for Non-Program School Board Employees
  - Visiting Adults
- Special Meals/Take Out Meals
- Vended Meals (e.g., meals sold to other SFAs, in-house to CACFP and/or SFSP vended meals.) This must be based on the current Plate cost for the meals.

Attachments



1. SDE Memos and Guidance
2. SDE Guidance Regarding Required Transfers
3. Allowable Costs
4. SP 19-2023 Memo (SCA Supply Chain Assistance Memo)
5. Emergency Procurement
6. SDE Requirements for Administrative Review Documentation
7. Memorandum Concerning Change in Meal Equivalents Formula
8. Equipment Request Form

Instructions for Completing the Worksheet for Calculation of State-Mandated Raises for CNP Staff

Instructions for completing the annual Pass-Thru Workbook are provided in the handbook.

SCHOOL BREAKFAST AND LUNCH PROGRAMS ALLOWABILITY OF COSTS

- Allowability of Cost for Program Incentive Items

1. Program incentive items can be allowable if they are considered reasonable and necessary costs that promote the specific program purposes of outreach and nutrition education promotion.

2. Examples of allowable items: **Nutrition Education:** calendars that contain important nutrition education messages and refrigerator magnets picturing the food pyramid. **Outreach/Program Marketing/PR:** tee-shirts, buttons, pens, cups or other items of nominal value with reasonable opportunity for public display that contain a program promotional message.

3. Example of some unallowable items: Celebratory items, or items designed primarily as staff morale boosters, generally for the personal use of the staff, with minimum public display; items of nominal value which have no outreach or nutrition education message; any program incentive item intended for persons who are not participants, potential participants or their parents/guardians, or for persons with no connection to the subject Programs.

SCHOOL BREAKFAST AND LUNCH PROGRAMS ALLOWABILITY OF COSTS

2 CFR 200.430(f) **Incentive compensation.** Incentive compensation to employees based on cost reduction, efficient performance, suggestion awards, or safety awards is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued according to an agreement entered into in good faith between the recipient or subrecipient and the employees before the services were rendered, or according to an established plan followed by the recipient or subrecipient so consistently as to imply, in effect, an agreement to make such payment.

▶ 2 CFR 200.430(f) outlines the conditions under which incentive compensation for employees is allowable under federal regulations. Here's an interpretation of the regulation:

1. **Incentive Compensation Types**: Incentive compensation can be given to employees for things like cost reduction, efficient performance, suggestion awards, or safety awards.
2. **Reasonableness**: The total compensation, including any incentive pay, must be considered reasonable. This means the compensation should not be excessive in relation to the work performed and the industry standards.
3. **Agreement/Plan Requirement**: **(Must be a Board Approved Policy)**
    - The incentive compensation must be based on a prior agreement between the subrecipient (SFA) and the employee **before** the services are rendered. This ensures that both parties have clear expectations about the incentive structure.
    - Alternatively, the incentive can be based on an **established plan** that the subrecipient (SFA) follows consistently, so much so that it effectively creates an implicit agreement to provide such payments.

▶ In summary, incentive compensation is allowed if it is reasonable, agreed upon in advance (either through a formal agreement or a consistent plan), and tied to specific performance criteria such as cost-saving or safety achievements.

▶ Please note that if the incentive pay in based on training /certification then it should be coded to as a stipend and not a suppliement.

Unallowable Costs

- Worthless checks and uncollected charges
- Fines and penalties
- Unapproved and unallowable capital expenditures
- Entertainment
- Individual memberships or non-school nutrition memberships
  - District owned membership for all CNP employees to the School Nutrition Association is an allowable expenditure

Unallowable Costs

- Maintenance to the kitchen and/or cafeteria that is not a direct cost for food service, processing, and production if the SFA is approved to pay indirect cost.
  - For example, if the SFA wishes to repaint the cafeteria and is approved for indirect cost, then the general fund should cover the cost of repainting.

Questions?