



Food Service Excess Fund Balances

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Conference Objectives

- Understanding Excess Fund Balance (EFB)/Net Cash Resources (NCR)
- Recommended uses for EFB
- Proper methods of dealing with EFB
- Allowable Costs

- Spending down EFB
- Understanding Equipment
- Understand the steps to follow for purchasing food service equipment

Excess Fund Balances Definition



- The School Food Authority (SFA) is responsible for maintaining the Non-profit School Food Service Account (NSFSA) and observing the requirements for and limitations on the use of non-profit food service revenues
- Three months average expenditures is allowed in your net cash resources

EFB Definitions Continue

Sponsors are responsible for:

- Revenues from all food service operations are retained and used only for the operation or improvements of the nonprofit school food service program
- Revenue means all monies received by or accruing to the non-profit school food service fund



EFB Definition

Continue




Net Cash Resources:

- All monies that are available to or have accrued in the SFA's Nonprofit School Food Service Account (NSFSA) at any given time, less cash payable.
- National School Lunch Program Federal Regulation 7 CFR 210.19 states SFAs are required to limit net cash resources to 3 months' average expenditures.
- An EFB exists when net cash resources (ending fund balance) compared to the NFSA allowable fund balance is greater than three months' average expenditures for a given school year.

Keeping track of Net Cash Resources- What is the purpose?



 In order not to exceed 3 months' average expenditures

€ To make sure there is always a positive balance

₿ To see if there is enough money in the NSFSA to purchase equipment and other capital outlay projects

 Calculation Worksheet

School Meals Beginning Fund Balance	\$384,918.35
Total School Meals Revenue	\$1,446,740.24
Total School Meals Cost w/o Capital Outlay	\$1,277,080.90
Capital Outlay	\$16,846.82
Prior Period Adjustment	\$0.00
School Meals Ending Fund Balance	\$537,730.87
Allowable Fund Balance	\$425,693.63
Excess Fund Balance	\$112,037.24



Excess Fund Balances

Excess Fund Balance Requirements



If you end up having an excess balance over the 3-months' average expenditures in your food service account, you will receive a letter from MDE

SFA's Food Service Director and Business manager are required to take the EFB training

SFA's are required to fill out the online plan of action form and upload any supporting documents in GEMS/MARS

SFA must spend down excess funds by June 30, of the current year, or request a carryover extension

EFB Carryover Extension

- Use second year carryover to extend spending until June 30, 2025
- Helps spending due to
 - Project delays
 - Supply Chain disruptions

This form must be completed, saved, and submitted on the Submit Documents Page and is due April 4th.

District name

District Agreement Number:

Do you have equipment or projects approved for carryover on the Spend Down Plan from last year that needs to be extended into SY 2024-2025?

MDE Approved Carryover Items from SY 2022-2023 Plan

Please review the carryover items below that were included in your SY 2022-2023 plan. If any of these items by June 30, 2024, and be extended for a second year of carryover, please check the "Carryover again" box next to the item. Carry year means that the item be purchased/expended no later than June 30, 2025.

Items/Equipment/Project Description	Carryover Amount	Carryover Again
Smallwares	\$25,000.00	<input type="checkbox"/>
Staff Wages	\$260,000.00	<input type="checkbox"/>
Cafeteria Tables	\$350,000.00	<input checked="" type="checkbox"/>
Cafe Signage	\$24,243.25	<input type="checkbox"/>
Hot Wells	\$95,109.00	<input checked="" type="checkbox"/>
Cold Wells	\$125,665.00	<input checked="" type="checkbox"/>

EFB Carryover

Excess Funds Balance:

*Carryover is the portion of SY21-22 EFB that was not spent by June 30, 2023. The approved carryover amount is included in the Total cost of items below.

Items/Equipment/Project Description	Estimated Cost	Food Service Exclusive	FS Amount
Equipment: Hood System Replacement	\$25,000.00	<input checked="" type="checkbox"/>	<input type="text"/>
Shared Services Cost	\$25,000.00	<input checked="" type="checkbox"/>	<input type="text"/>
Equipment: Walk-in Freezer/Refrigerator Replacement	\$60,000.00	<input checked="" type="checkbox"/>	<input type="text"/>

The Total cost of items must be greater than the Excess Fund Balance.

Cost of new/items/equipment/projects

Approved Carryover from SY 22-23

Total Spend Down Plan of Action

The Total Spend Down Plan of Action must be equal to or slightly greater than the excess fund balance.

The EFB is a rolling number, so projects/items not complete by June 30, 2023, are included in the current Excess Fund Balance Total amount.

Enter new projects or items for the difference of EFB and Approved Carryover from the prior year.

Example Scenario: Approved Carryover from last year: \$249,500
 EFB this year: \$345,136 new plan with items totaling at least \$95,636

Excess Fund Balance Spend Down Plans



MDE approval of SFA's Plan of Action will be sent via email notification from MDE-GEMS@Michigan.gov



Approved EFB Plan of Actions do not **negate** the need to submit a formal request to MDE for approval of Equipment or Other Capital Expenditures, **prior** to incurring the cost



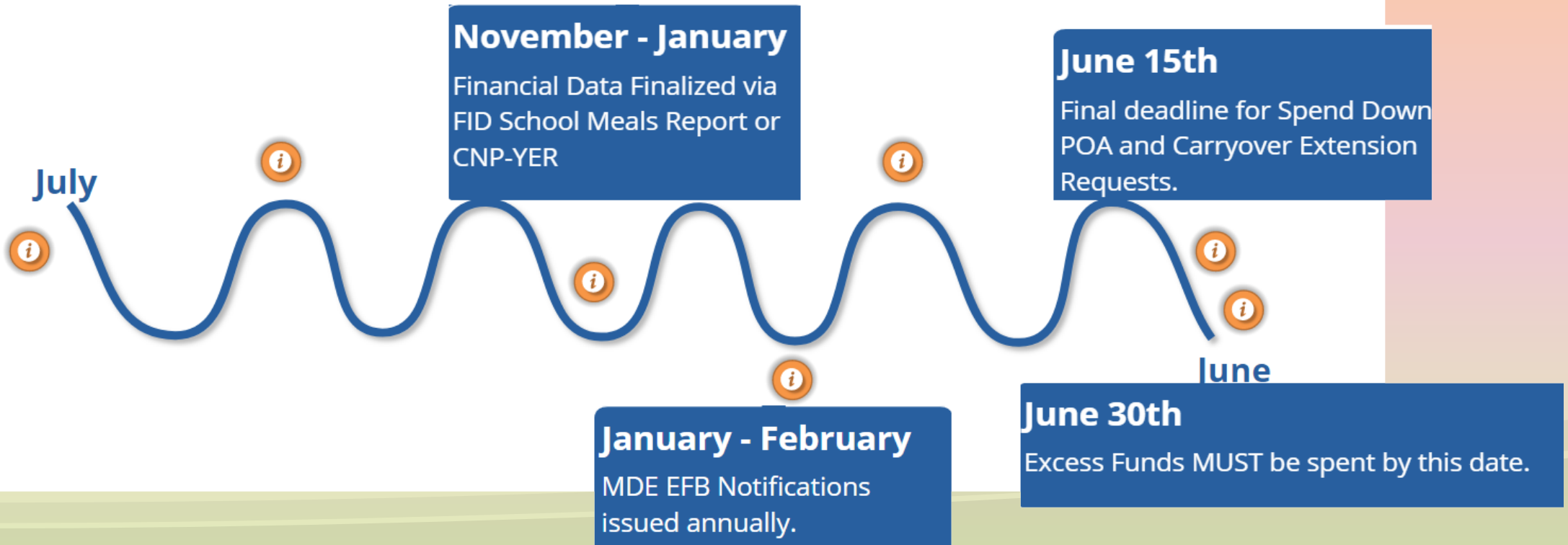
MDE Resource Management (RM) Reviews the prior 3-5 school years



Guidance: MDE Admin Memo No. 5 SY17/18 Fiscal Requirements for Operating a School Meals Program

Excess Fund Balance Important Dates and Deadlines Recap

School Year Timeline for School Sponsors





Excess Fund Balances Allowable Costs

Must Be Allowable,
Reasonable,
Necessary,
Allocable

Practices;
Following Federal,
State, Local, Tribal
And Other Laws &
Regulations

Consistently
Treated As A
Direct Cost Or
Indirect Cost To
The Program

Adequate
Documentation

Excess Fund Balances Allowable Costs



**Improve the
quality of meal
food**



**Offer Universal
Free Breakfast to
reduce and paid
students**



**Farm to School
Activities**

Excess Fund Balances

Allowable Costs Continued




Improvements in Food Service Equipment

Kitchen/Serving Line Equipment

Kitchen/Café Renovations

Hire additional staff or increase wages

Trainings and travel for workshops, conferences and training programs for food service employees



Focus on the atmosphere of the cafeteria and service areas

Invest in Breakfast

Refresh all small wares

Additional Point of Sale locations to improve speed of service

Allowable Ways to Spend Down Excess Fund Balances (EFB)











Improve Meal Quality

You must quantify how you will be able to improve the meal quality when specifying a dollar amount.



Excess Fund Balances Unallowable Costs

-  Bad Debts
-  Improvements to Land or Buildings
-  *Service Systems such as HVAC*
-  Telephone and computer lines/Intercommunications Systems
-  Covering Paid student meals payments
-  Contingency Fees
-  Security Cameras/Systems
-  Ask MDE about other Unallowable Items



Resources to Help with EFB



[All About Excess Fund Balances](#)



[Net Cash Resources and Excess Fund Balance General Information](#)



[Calculation Worksheet](#)



[Reinvestment Ideas for Spending Down Excess Fund Balances](#)



[Excess Fund Balances \(EFB\) Training](#)



[Completing the Excess Fund Balance Spend Down Plan of Action Form \(michigan.gov\)](#)

Equipment and Capital Outlay Purchases

Capital Expenditure- is money spent to buy, maintain, or improve fixed assets that have a long-term use

Any item of nonexpendable personal property with a useful life of more than one year

Capital expenditures have a unit cost of \$5,000 or more or the SFA's capitalization policy, whichever is the lower threshold amount, must have prior written approval

Explained in MDE School Nutrition Program Administrative Policy Memo #5 2021 When Do You Need Pre-Approval for Food Service Equipment Purchases?





Equipment/Capital Expenditures



2 CFR Part 200.407 & 200.439 requires prior written approval for equipment and capital expenditures over \$5,000 or the Sponsor's capitalization threshold, whichever is less



Exception: Items on the Pre-approved Food Service Equipment List



Failure to obtain MDE's prior approval results in an unallowable cost, requiring Sponsors to reimburse the food service account with non-federal funds



Guidance: MDE Admin Policy #5 When Do You Need Pre-Approval for Food Service Equipment Purchases?

Equipment Requirements

Sponsors must follow all Federal, State, and local procurement regulations for equipment purchases.

If equipment will be shared with other programs outside of food service, the amount funded by the Non-Profit School Food Service Account (NSFSA) must be prorated.

Selling equipment purchased with Federal funds must comply with regulations. The proceeds from the sale must be deposited into the NSFSA.

MDE must confirm that equipment and capital outlay purchases are an allowable use of Federal funds.



MDE's Pre-approved Food Service Equipment List



[Equipment and Excess Fund Balance \(michigan.gov\)](http://michigan.gov)

Pre-approved Food Service Equipment List

Carts/Cabinets

- Can Dispenser Rack
- Condiment Cart/Bar
- Dish Dolly/Caddy
- Heated Transport Cart
- Holding Cabinet
- Insulated Transport Cart
- Kiosk
- Proofing Cabinet
- Refrigerated Transport Cart
- Sheet Pan Rack/Speed Rack
- Storage Rack
- Trash Cart
- Tray Dispenser
- Utility Cart

Cleaning

- Commercial Sinks/Three Compartment Sinks
- Containers to Handle Recyclables
- Dish Machine/Dishwasher
- Dish Tables
- Floor Troughs
- Garbage Disposal
- Pot and Pan Machine
- Specialty Sinks: Hand, Pot and Pan, Prep, Produce, Utility

- Software/programs for management (i.e. inventory, nutritional analysis)
- Meal Counts, Eligibility Application Approval

Cooking

- Barbeque
- Broiler
- Char broiler
- Cook Chill Kettle
- Cook Top/Range
- Exhaust Hood/System
- Fryer Dump Station
- Fryer
- Griddle/Flat Top Grill
- Hot Plates
- Induction Cooker
- Microwave Oven
- Oven: Combi, Convection, Conventional, Cook and Hold, Pizza, Retherm, Rotary, Rotisserie
- Smoker
- Soup Kettle
- Steam Kettle
- Steamer: Convection, Double Stack
- Tilt Skillet/Braising Pan
- Toaster



Equipment Request Process

Review Review MDE Food Service Administrative Memo #5 SY2020-2021

Review Review the Pre-Approved Food Service Equipment List

Initiate Initiate the Procurement Process

Complete Complete Equipment and Capital Outlay Request Form by following the link on our website

Approval Receive Equipment Approval Notice

Finalize Finalize Procurement and Documentation



Regulations

7 CFR Part 210 – USDA Program Regulations

- 210.14 Resource Management
 - 210.14a Nonprofit School Food Service
 - 210.14b Net Cash Resources
 - 210.14c Financial Assurances
 - 210.14e Pricing Paid Lunches
 - 210.14f Revenue from Non-Program Foods
 - 210.14g Indirect Costs
- 210.19 Additional responsibilities
 - 210.19(a)(1) Assurance of compliance for finances
 - 210.19(a)(3) Program compliance
- 210.9 Agreement with State Agency

2 CFR Part 200 – Uniform Guidance

- 200.313, 200.407, 200.439 Equipment
- 200.318-326 Procurement
- 200.403 Allowable Costs
- 200.404-.405 Necessary, Reasonable, Allocable
- 200.412 Treated Consistently
- 200.420-.475 Allowability of Specific Items of Cost
- 200.414 Indirect Costs
- 200.501 Requiring Audits



Questions





Fiscal and Administrative Services (FAST) Monitoring Team



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