



SECTION 1
IDENTIFICATION AND
CLASSIFICATION OF
FINANCIAL DATA

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How Do I Use This Financial Management Information System (FMIS)?

What is the FMIS?

The financial management information system (FMIS) is a tool that will assist school foodservice administrators in interpreting the financial outcomes of operational decision-making. It will help administrators to decide whether their school foodservice programs financial health is better or worse than during previous accounting periods or past budget periods. The FMIS will also allow administrators to compare their operation with similar operations.

What is the purpose of the FMIS?

The purpose of this FMIS is to provide school foodservice administrators with a financial management tool to aid in decision-making and to improve program quality and efficiency. It is important to remember that any improvements in efficiency should not compromise high quality standards for food and customer acceptance. Improvements in efficiency should not sacrifice the quality of the program.

Why was the FMIS developed?

School foodservice professionals face growing pressures to operate school foodservice programs with increased efficiency, and directors are expected to conduct the school foodservice program as a self-supporting unit. It no longer is sufficient to provide a historical record of financial performance and meet budget goals; professionals must justify their performance against best practice facilities. Success depends on the ability to meet customer needs, improve quality, and reduce expenditures.

Can anyone use the FMIS?

Yes. Any school foodservice administrator can use the FMIS. It is designed to be broad in scope so that it can be used by all sizes and types of school foodservice programs across the nation.

What if I already complete financial records for my school foodservice program?

Many school foodservice programs already compile and calculate financial data in differing formats and with varying amounts of detail. Some may elect to use only the parts of this FMIS that are most relevant to their unique operation. Others may choose to use the entire FMIS to:

- compare key performance indicators to budget guidelines, to other programs or districts, or to their own previous performance.
- supplement recording and analyzing procedures already being used.



When I use the FMIS, do I have to follow the schedule categories and formulas?

Yes, if the goal is to use the financial data for benchmarking purposes. The structure and format presented by this system ensure the following:

- uniformity—all data are recorded the same way each time so that the results may be compared from one accounting period to the next, one budget year to the next, or among schools/districts.
- accurate comparison—the ability to compare like items or facilities (apples compared to apples instead of pineapples) will provide credible information.
- valid and reliable benchmarking—school districts can make a comparison of their data to that of recognized best practices facilities/districts.

Not all programs have the same degree of complexity, and more detail is provided in this system than is used by some operations. For example, the revenue schedule shows where money generated from catering would be included in the total revenue calculation, but not all school foodservice programs are currently providing this option. All elements of the FMIS may not be present in every school foodservice program, but if specific financial data are present, the FMIS provides the structure and format needed for consistency in financial analysis.

How does FMIS relate to the budget?

The FMIS can be very useful to the school foodservice administrator when planning the budget. Budgeting is an invaluable tool for both planning and evaluation. The budget forecasts the amount of revenue that will be available and how it will be allocated for expenditures, thus providing one method of controlling operations and activities as they occur.

Why should I use the FMIS?

The advantages of using a uniform system are as follows:

- A uniform system establishes standardized formats and account classifications to guide in the preparation and presentation of financial statements.
- Standardization permits internal and external users to compare the financial position and operational performance of a program to others with similar characteristics.
- The model provides a turn-key accounting system that can be adapted quickly to the needs and requirements of a program.
- Use over a period of time can generate local, regional, and national statistics that will assist in identifying trends and setting priorities for strategic planning by programs and the profession.
- The provision for both internal and external reports ensures that the appropriate, pertinent information, offering suitable detail, is presented to various audiences in the management of school service programs.
- While use of the FMIS is voluntary, school foodservice administrators are strongly encouraged to use the system as the national program moves toward standardization. Portions can be selected for use or the system can be adopted in its entirety.
- Acceptance by the profession of a uniform system for recording and analyzing financial data will foster the use of common standards and practices by both self-operated and commercially-managed programs.



OPERATIONAL DATA

All school district operational units, including school foodservice, must provide financial information in accordance with principles established to provide consistency and comparability for users. If the school foodservice operation is to achieve financial accountability, the information provided must be accurate, relevant, and reliable. Financial reports must provide data that foster effective decision-making, allow internal comparison to expected or prior performance, and permit external comparison to other programs or established standards. As a result, the financial reporting systems must be capable of producing financial information in a variety of formats and level of detail.

The three major categories of information presented in financial reports for the school foodservice operation are:

- Revenues
- Expenditures
- Fund Balance

Revenue

Revenue can be defined as income received in exchange for goods or services provided by the school foodservice department. The major sources of revenue for school foodservice programs are local sources in the form of student and adult payments for meals, state revenue, and federal revenue. The value of USDA-donated commodities is also considered revenue. Other local sources of revenue include a la carte sales, special school functions, catered functions, vending sales, contracts for other federal programs such as Elderly and Summer Food programs, interest/dividends, and rebates. This listing of revenues is not complete but offers a general guide to the identification of revenues. A complete dictionary of revenues is found in Section 3.

Expenditures

Expenditures are costs that can be identified specifically with the operation of the school foodservice program such as payroll and related employee benefits, cost of materials and food, equipment expenditures, and services expenditures. The major expenditures associated with the operation of the school foodservice program are labor and food costs. Together, these two expense categories account for approximately 80% of all funds expended.

Fund Balance

The fund balance is the net cash resources available to the school foodservice operation at any given time, less payables. Government regulations require that no more than three months' average expenditures may be accumulated in the fund balance. If the net cash resources exceed the three months' average expenditures, the state agency must require that the school district take action to reduce the excess balance.

