Plan for Reducing an Excess Operating Fund Balance

(For the purposes of this form, a fund balance is net cash resources.)

Contracting Entity (CE) Name: ___________________________ Date: ___________________________

CE Identification Number (CE ID): ___________________________ ESC: 1 ___________________________

Plan Completion Date: ___________________________

Current Operating Food Service Fund Balance (Net Cash Resources): $ ___________________________

Average Monthly Expenses: $ ___________________________

Amount of the Excessive Fund Balance (Net Cash Resources): $ ___________________________

Plan to Resolve an Excess Operating Fund Balance (Net Cash Resources):

Please provide a detailed explanation of how the CE will reduce the fund balance (net cash resource) to an acceptable level within one year by improving the quality of food served or purchase of needed supplies, service, or equipment. This may include, but is not limited to, purchases of supplies or equipment or services.

Explanation of what the CE will do to ensure that an excessive fund balance (net cash resources) will not occur in the future

(If additional space is needed attach another page.)

The above named CE hereby submits the following plan to reduce the excessive operating fund (net cash resources) balance to be completed by date entered above.

____________________________________  __________________________________
(Signature of Authorized Representative)  (Printed Name of Authorized Representative)

(State Agency Use Only)

☐ Approved
☐ Denied

Signature, Title ___________________________  Date ___________________________

1 Education Service Center

2 An excessive operating food service fund balance cannot be reduced by altering children’s meal pricing structures when altered pricing conflicts with the paid lunch equity requirements. See the Administrator’s Reference Manual, Section 15, Meal Pricing for additional information on this topic.
Directions: Plan for Reducing an Excessive Operating Fund Balance

**Purpose**
To maintain the nonprofit status of the National School Lunch Program (NSLP) or School Breakfast Program (SBP), the contracting entity (CE) should have an operating fund balance (net cash resources) for its food service account of no more than three months of operating expenses. This form should be used by a CE to describe its plan for reducing an excessive operating fund balance for its food service account. A CE that does not have an excessive fund balance does not need to complete this form.

**Determining If a CE Needs to Submit This Form**
To determine if there is an excessive operating fund balance (net cash resources) for its food service account, the CE must

1. calculate its average monthly expenses,
2. multiple that average by 3, and
3. compare the resulting amount to the operating funds (net cash resources) on hand.

The following TDA forms provide monthly and yearly cumulative totals for program expenses and income that can be used to help a CE determine its average monthly expenses.

- **Budget Tool**
- **Daily Record of Income—National School Lunch Program (NSLP) and School Breakfast Program (SBP) Form**
- **Income from Food Service Operations Form**
- **Record of Program Expenditures Form**

These forms are available at [www.squaremeals.org](http://www.squaremeals.org). However, a CE may also find that the local education agency finance manager can help in obtaining the information needed to determine the average monthly expenses and current food service fund balance.
Determining If There Is an Excessive Fund Balance (Net Cash Resources)

Use the following method to calculate the CE’s average monthly operating expenses.

1. **Divide** the prior year’s total food service expenses by the number of months in operation for the prior year.

<table>
<thead>
<tr>
<th>Prior Year’s Expenses</th>
<th>Number of Months in Operation Prior Year</th>
<th>Average Monthly Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. **Record** the amount of total net cash on hand for the food service program in column Amount A, *Current Operating Balance — Total Net Cash Resource on Hand*.

3. **Record** the CE’s average monthly expenses for the food service account in the *Average Monthly Operating Expenses*.

4. **Multiply** the *Average Monthly Operating Expenses* by 3 to calculate *Three Month’s Average Expenses* and record this amount under Amount B, *Three Month’s Average Expenses*.

   If **Amount A** is larger than **Amount B**, the CE has an excessive operating balance and needs to submit a plan for eliminating its excessive balance to TDA. The CE must use this form to submit its plan.

   If **Amount B** is larger than **Amount A**, the CE does not have an excessive fund balance and does **not** need to submit a plan or use this form.

**Directions for Completing Form**

**General Information**

- **Contracting Entity (CE) Name**: Record the name of the CE in the designated space.
- **Date**: Record the date the form is completed in the designated space.
- **CE Identification Number (CE ID)**: Record the CE ID in the designated space.
- **ESC**: Record the number of the Education Service Center (ESC) that provides technical assistance to the CE in the designated space.
- **Plan Completion Date**: Record the date the CE anticipates resolving its excessive operating food service balance in the designated space.

**Financial Information**

- **Current Operating Balance**: Record the amount of the CE’s total net cash resources on hand—its current operating balance—in the designated space.
- **Average Monthly Expenses**: Record the current amount of the CE’s average monthly expenses in the designated space.
• **Amount of the Excessive Fund Balance (Net Cash Resources):** Record the current amount of the CE excessive fund balance in the designated space.

**Description of Plan to Resolve Excess Operating Fund Balance (Net Cash Resources)**

• **Briefly Outline Plan:** Use the designated space to provide an explanation of the actions the CE will take to resolve its excessive operating food service balance. See the *Administrator’s Reference Manual, Section 14, Financial Information Concerning School Nutrition Funds* for additional information on the appropriate use of program funds.

The plan needs to include information on the actions the CE plans to take to do the following:

- Reduce the excessive fund balance (net cash reserve) to an acceptable level within one year by improving the quality of food served or purchase of needed supplies, service, or equipment.
- Ensure that an excessive fund balance (net cash resources) will not occur in the future.

**Signatures**

• Have the CE’s authorized representative sign the form in the designated space. If this form is submitted electronically, a typed name will be considered to be an electronic signature.

This signature certifies that the CE will reduce its excessive fund balance (net cash resources) as described in this form and by the date recorded indicated on this form.

*If not an electronic signature,*

• Print or type the name of the person signing the form in the designated space.

Do not write below the double line in the State Agency Use Only Space.

---

3 An excessive operating fund balance (net cash resources) for the food service account cannot be reduced by altering children’s meal pricing structures when altered pricing conflicts with the paid lunch equity requirements. See the *Administrator’s Reference Manual, Section 15, Meal Pricing* for additional information on this topic.