



**ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL**

TOPIC: Section 11 – Institution Accounting 4.1	EFFECTIVE DATE: 06/01/1983
TITLE: Canteen Financial Statements	REVISION DATE: 01/30/2015
AUTHORIZED BY: Director, Bureau of Fiscal Services	

**BACKGROUND**

For the purpose of financial statement presentation, canteen funds are classified as enterprise activity and therefore should be operated in a manner similar to private business enterprises. Canteen funds are subject to generally accepted accounting principles (GAAP).

Canteen financial statements are subject to audit by legislative and departmental auditors.

**POLICY**

Canteens are required to prepare an annual report on canteen operations for the fiscal year ending June 30. This report will consist of a balance sheet, statement of revenues/expenses and fund equity changes, statement of cash flows, note disclosures, and supporting schedules. The threshold for capital assets is \$5,000.

This report will be submitted to the Bureau of Fiscal Services (BFS) **no later than July 31**. The financial statements must be prepared in accordance with the attached instructions and GAAP. The statements must be signed by the preparer and an independent person who reviewed the statements for accuracy, consistency and completeness.

The Legislative Audit Bureau (LAB) has recommended more frequent financial statements be prepared for internal management purposes. Non-operating canteens (principally vending machine commissions) should prepare financial statements for semi-annual periods. BFS recommends that operating canteens prepare monthly financial statements to determine net profit and other management information. Semi-annual or monthly management financial statements will not be submitted to BFS; however, they should be retained and subject to audit.

**PROCEDURES**

A. General

1. The canteen statements are prepared on the basis of proprietary accounting principles (Enterprise Fund). Proprietary accounting matches income and expense to determine net profit for the period. The canteen bank account and the canteen financial statements should include only activity related to the operation of the canteen and related income and expense. Activity not related to the canteen should be deposited in a separate bank account. See Section 11 – Institution Accounting 4.0(Canteen Fund Policy and Procedures).
2. The canteen financial statements are to be prepared on the basis of accrual accounting. Revenues are to be recognized in the period when earned. Expenditures are to be recognized in the period when incurred. Following are some general concepts:
  - Revenue received prior to the period in which it is earned should be classified as deferred income;

- Expenses paid in the current period for goods and/or services to be received in the subsequent period will be classified as a prepaid expense;
  - Revenue earned but not received as of the statement date will be accrued (commissions earned but not yet received from the vendor and interest income earned but not yet received).
3. The cutoff date for the statements is June 30. This date must be applied consistently across all activity of the canteen fund. For the Fiscal Management System (FMS) data used in canteen statements, no July or August activity coded as June 30 is to be used.
  4. GAAP requires a statement of cash flows to be prepared. In order to prepare this statement accurately, adequate records must be maintained to identify cash and non-cash transactions. The balances for accounts payable, accounts receivable, revenues and disbursements must be computed accurately. The cash balance reported must agree with the cash transactions reported.
  5. The canteen fund shall maintain capital inventories when equipment with an original cost of more than \$5,000 is used in operations. The canteen inventories shall be separate from the institutional/center capital inventories. Donations of capital equipment from the canteen to the institution/center shall be considered as operating transfers-out and maintained on the institution/center's capital inventories as a non-FMS addition.
  6. Physical inventories of merchandise purchased for resale must be conducted at least semi-annually. These inventories are to be done by or verified by an independent person. Canteens without perpetual inventories should conduct physical counts of inventories quarterly or monthly to determine cost of goods sold.
  7. Governmental accounting principles require that transactions between the canteen fund and other GAAP funds require special treatment. The three major categories of funds relating to the Department of Health Services (DHS) activities are:
    - **Proprietary** – mental health institutes, developmental disability centers
    - **Fiduciary** – client resident funds
    - **General** – Division of Long Term Care (DLTC) Central Office, Division of Mental Health and Substance Abuse Services (DMHSAS) Central Office, Sand Ridge, Wisconsin Resource Center

The transactions between funds can generally be classified as follows:

- **Reimbursements** – transactions that constitute reimbursements of a fund for expenditures or expenses initially made from it that are properly applicable to another fund. For example, the canteen fund pays sales tax for the general or another enterprise fund, and these monies are subsequently reimbursed by the appropriate fund. A reimbursement should result only from improper classification or clearing account payments made for expediency in a controlled environment.
- **Operating Transfers** – legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended. For example, another enterprise fund or the general fund subsidizes canteen fund activity. Operating transfers are reflected on the statement of revenue and expense.
- **Operating Transfer-In** – when funds are transferred to the canteen fund. For example, salary and fringe benefits paid to canteen employees and charged to the institution's operating budget.
- **Operating Transfer-Out** – when the canteen fund transfers funds to the institution/center, its employees or residents.

8. An adequate audit trail must be maintained. Each account balance must be traced to original source documentation. Each transaction must be supported by documentation. Unusual or non-routine transactions must be explained. Supplemental schedules and notes may be needed for more complex transactions. Canteen records must be retained for audit purposes.

Certain supporting schedules must be forwarded to BFS so that any necessary adjustments may be prepared correctly. In addition, certain information is needed for required footnotes in the Comprehensive Annual Financial Report (CAFR).

Required supporting schedules include:

- a. Listing of name(s) and payroll coding for all canteen employees.
- b. Worksheets showing salary and fringe benefits, including the accrued and prepaid items (source documentation and calculations).
- c. Calculation of compensated absences.
- d. Explanation of any prior-period adjustments.
- e. Maturity dates for certificates of deposit.
- f. Canteen capital asset schedule.
- g. Detail listing of all receivables and payables, including due to and due from other funds.

## FORMS

Canteen Operations Statement of Revenues / Expenses and Fund Equity Changes (GAAP Basic), [F-80477](#)

Canteen Operations Statement of Revenues / Expenses and Fund Equity Changes (GAAP Basic) Instructions, [F-80477I](#)

Canteen Operations Analysis of Cash (GAAP Basis), [F-80477A](#)

Canteen Operations Analysis of Cash (GAAP Basis) Instructions, [F-80477AI](#)

Canteen Operations Balance Sheet (GAAP Basis), [F-80477B](#)

Canteen Operations Balance Sheet (GAAP Basis) Instructions, [F-80477BI](#)

## REFERENCES

[DHS APP Section 2 – Cash and Cash Equivalents 6.0](#) (Depository Funds and Petty Cash Reports)

[DHS APP Section 8 – Capital Assets 1.0](#) (Capital and Non-Capital Asset and Inventory Systems)

[DHS APP Section 8 – Capital Assets 4.0](#) (Year-End Capital Asset Reporting)

[DHS APP Section 11 – Institutional Accounting 4.0](#) (Canteen Fund Policy and Procedures)

[DHS APP Section 11 – Institutional Accounting 4.2](#) (Reimbursement of Canteen Operations Expense)

DOA's Uniform GAAP Conversion Policies and Procedures Manual, Section V, [Sub-Section 11](#) – Compensated Absences, Procedures for how to calculate compensated absences

## CONTACTS

[Cost Allocation and Financial Reporting Section Chief](#)

[GAAP Accountant and Financial Statements](#)