

**Alabama State Department of Education
Child Nutrition Programs
School Nutrition Programs**

Handling the Fund Balance When a School Closes

When a school site participating in the Child Nutrition Programs (CNP) is permanently closed, the school food authority (SFA) is responsible for determining the disposition of any remaining CNP assets, liabilities, revenues, and expenditures associated with the closed site in accordance with federal and state requirements. SFAs closing a school within an SFA move CNP funds to the schools where students are transferring. Local CNP directors are encouraged to work closely with Alabama State Department of Education (ALSDE) School Nutrition Program (SNP) staff to ensure all requirements are satisfied and prevent future issues.

Remaining Fund Balance

1. Before determining the remaining fund balance in the nonprofit food service account, the SFA should ensure that all USDA-funded CNP equipment and other applicable property have been properly accounted for and disposed of in accordance with applicable Federal requirements.
 - a. In general, the SFA may transfer equipment to other schools; sell at the current fair market price, with the proceeds deposited into the nonprofit food service account; or donate the equipment to another federal program.
 - b. The SFA updates and submits the equipment inventory to ALSDE CNP.
2. After all applicable assets and liabilities have been addressed, any remaining positive or negative balance associated with the closed CNP site is handled through the SFA's established and State-approved financial management and cost-allocation methodology.

Positive Fund Balance

1. The remaining funds follow the students and the associated CNP operations to other schools in the SFA using the SFA's established cost-allocation methodology.
2. The remaining fund balance may only be used for the operation or improvement of the nonprofit food service.
3. The remaining fund balance may not be transferred to unrelated programs or used for purposes outside the nonprofit school food service.

Negative Fund Balance

1. If a closing school site has a negative fund balance after all applicable revenues, expenditures, liabilities, and USDA-funded equipment have been properly accounted for, the SFA must ensure that the deficit is corrected without charging the deficit to another federal award or improperly transferring the shortfall to another CNP site or program.

2. If the SFA determines that the shortfall cannot appropriately be charged to the remaining nonprofit school food service account under an allowable allocation methodology, the SFA must use non-Federal funds, such as the general fund, to correct the shortfall.

Policy Approved: 9-28-2026

Appendix: LINQ to Resources

Equipment

2 CFR § 200.313

[2 CFR § 200.313](#)

Allocable Costs in General

2 CFR § 200.405(a)

[2 CFR § 200.405\(a\)](#)

Limitation on Charging Certain Allocable Costs to Other Federal Awards

2 CFR § 200.405(c),

[Limitation on Charging Certain Allocable Costs to Other Federal Awards](#)

Nonprofit Food Service

7 CFR § 210.14(a)

[7 CFR § 210.14\(a\)](#)

Procedures for Determining Participation Rates for Allocating United States Department of Agriculture (USDA) Foods and Central Office Purchases for School Meal Programs

[FY24-3065 Procedures for Determining Participation Rates for Allocating United States Department of Agriculture \(USDA\) Foods and Central Office Purchases for School Meal Programs](#)

ALSDE CNP Financial Management Handbook (2025)

[Alabama CNP - Financial Management and Compliance - Alabama State Department of Education](#)