

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: Fiscal Affairs**

**NUMBER: 03.G.01**

**AREA: General Accounting**

**SUBJECT: Year End Closeout Procedures for Deficit Balances**

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**1. PURPOSE**

While it is desirable to prevent deficit fund equity balances, it is not always operationally possible to do so. This document sets forth the procedures to control the carry forward of deficit fund equity balances within fund groups for a department and deficit fund equity balances within fund groups for a component university as a part of the year end closeout procedures. These procedures shall apply to all fund groups.

**2. POLICY**

2.1. Budget authorities at the appropriate level at each component university and the System Administration shall review all cost centers in their respective area as a part of the annual closeout procedure to determine the extent of deficit fund equity balances and which deficit balances need to be corrected. Any fund group (1xxx, 2xxx, etc.) for a department with a deficit fund equity balance shall have expenditures transferred from the fund group and/or sufficient fund equity or revenue moved to the fund group to bring the fund equity balance to at least zero. All such expenditure, fund equity, and revenue transfers must comply with the restrictions of the cost center involved. For example, transfers cannot be freely made between restricted or state-appropriated funds and other fund groups. If the budget authority is unable to cover all deficits within their area of responsibility, then the component university Chief Financial Officer shall make the necessary transfers to fund the deficits. The component university Chief Financial Officer may grant a written exception to this funding requirement if the two conditions are met:

- a. A plan must be on file in the office of the Chief Financial Officer as to how the deficit fund group for a department will be returned to a non-deficit position during the subsequent fiscal year; and
- b. The overall fund equity balance of the fund group for the component university must not be in deficit.

- 2.2. If a fund group for the entire component university has an overall deficit fund equity balance, then sufficient money from cost centers with transferable balances shall be moved from fund group 2xxx designated funds or fund group 3xxx auxiliary funds to cover the deficit fund group. If sufficient monies do not exist to cover the deficit fund group, then the component university Chief Financial Officer shall notify the Vice Chancellor for Administration and Finance.
- 2.3. An exception to 2.1. and 2.2. above shall be made for agency fund cost centers. Individual agency fund cost centers should not be allowed to move into a deficit balance at any time. However, should a deficit situation occur, every effort should be made to contact the owner of the cost center and have sufficient money deposited into the cost center. Component university funds will not normally be used to cover deficits within agency cost centers. In addition, fund group 5xxx sponsored project funds may be exempted from 2.1 and 2.2. if a deficit fund equity balance is caused by the timing of the award funding. If the deficit is caused by other reasons, then it must be funded as outlined in 2.1. and 2.2.
- 2.4. The budget authorities at each component university shall coordinate with general accounting to ensure that all transactions to clear deficit fund equity balances shall be accomplished in a timely manner prior to the final year-end closing.

3. REVIEW AND RESPONSIBILITIES

Responsible Party: Associate Vice Chancellor for Finance

Review: Every three years on or before March 1

4. APPROVAL

Approved: John M. Rudley  
Vice Chancellor for Administration and Finance

Approved: Jay Gogue  
Chancellor

Date: June 16, 2004

5. INDEXING TERMS

Deficit Balances  
Year End Closeout