

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Fiscal Affairs

NUMBER: 03.G.01

AREA: General Accounting

SUBJECT: Year End Closeout Procedures for Deficit Balances

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 division and deficit fund equity balances within fund groups for a 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 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 division 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 university Chief Financial Officer shall make the necessary transfers to fund the deficits. The university Chief Financial Officer may grant a written exception to this funding requirement if the following 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 division 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 university must not be in deficit.

2.2. If a fund group for the entire 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 university Chief Financial Officer shall notify the Senior Vice Chancellor for Administration and Finance.

