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Policies & Procedures

1 Fiscal Environment

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1.3 Unit Financial Health

Policy Statement

Units should monitor and evaluate the financial health of their unit to ensure that University of Illinois System financial resources are managed properly.

Reason for the Policy

Units are expected to be fiscally responsible.

Applicability of the Policy

All units of the University of Illinois System.

Procedure

Units should consider the following four standards when evaluating financial health.

1. Cash Standard

Each unit is expected to have sufficient and appropriate cash or available budget to pay salaries and operating expenses.

2. Equity Standard

Does the unit have equity in its current assets or is it in an unfavorable

Offices Deficit Reporting

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financial position?

3. Revenue and Expense Standard

Does the unit generate operating revenue equal to or exceeding its operating expenses?

Operating revenue generated by a unit in the fiscal year should generally equal or exceed its operating expenses. Operating revenue includes state and institutional funds allocated to the unit, gifts, endowments, grants, contracts, and other revenue generated by the unit. A unit meets the revenue and expense standard if:

- The unit has an operating gain for the fiscal year, or,
- The unit has sufficient carry-forward funds from prior fiscal years to cover an operating loss for the fiscal year and the operating loss was the result of planned expenditure of funds accumulated in prior years for a specific purpose.

4. Balance Reporting Standard

Does the unit maintain a positive cash balance in each fund type?

Each unit should have and maintain a positive balance in each of its operating funds and on a roll-up basis for its institutional funds. All inactive funds should be reviewed and closed if no longer necessary.

Overdrafts and Deficits: Remedial Business Plans

The determination of overdrafts for individual fund sources are at the discretion of the university budget offices, or the Controller for units of the System Offices. Each year, units with a deficit may be notified by the appropriate office and may be provided with forms, instructions, and a deadline for submitting a remedial business plan.

Units may not have to file a remedial business plan to eliminate a deficit if one of the following exceptions is met:

1. A unit has a planned deficit which could be a mechanism for overall system or university funds management purposes.
 - Units must have prior written approval the university budget offices or the Controller for units of the System Offices.
 - Units must also have other funds available to cover the deficit or a known June 30 deficit is inherent in their business cycle.
2. University storeroom and certain departmental activity funds approved by the university budget offices or the Controller for units of the System

Offices, where all the following apply:

- Inventory of goods available for sale is equal to or greater than the amount of the cash deficit.
- Inventory is not more than 10% of the annual revenue or an amount determined to be appropriate by the university budget offices or the Controller for units of the System Offices.
- University funds have a positive fund balance.
- Cash deficit for the fiscal year is approved in advance in writing by the university budget offices or the Controller for units of the System Offices. This approval may be renewed under the same terms and conditions, provided the cash deficit meets the goals mutually agreed upon in the business plan.

3. University clearing funds with a deficit where all the following apply:

- The nature of the fund is to periodically have a deficit.
- The deficit has the prior written approval of the university budget offices or the Controller for units of the System Offices.
- The fund is functioning as intended and being reconciled as a clearing mechanism.

Sponsored project deficit balances are excluded. Contact your university Office of Sponsored Projects for information about overdrafts on sponsored projects.

The measure for state deficits is at the unit level. Unit state deficits at the end of a fiscal year are carried forward as facilities and administrative or state deficits in the next fiscal year.

Additional Resources

[Urbana-Champaign Business Plan to Eliminate Deficit](#)

[UIC Deficit Reduction Guidelines](#)

[UIS Unit Plan to Eliminate Deficit](#) This form requires Adobe Acrobat Reader and will not work with some browsers' default built-in PDF viewers. If you cannot open the form in your browser, right click on the form's link, choose to save it to your computer, and open it directly in Adobe Acrobat Reader.

[System Offices Business Plan to Eliminate Deficit](#)

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Business and Finance

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