

University of Illinois at Chicago Terminated Self-Supporting Funds Policy & Guidelines

I. Policy

Self-supporting funds are used to record revenue and expenses generated from the sale of products or services to University departments, students/faculty/staff, or the general public. The four fund types that distinguish the types of self-supporting activities are: 3E – Storerooms and Services, 3J – Auxiliary Enterprises not under Indenture¹, 3M – Auxiliary Enterprises under Indenture, and 3Q – Departmental Activities.

The State Finance Act² restricts the use of these funds to the support, maintenance, and development of the self-supporting activity generating the revenue in the fund. The expenditures are restricted to the activities that generate the revenue and the revenue cannot be used to offset expenditures paid from appropriated or other University Funds. Also, self-supporting funds cannot be generated or used by units for discretionary purposes.

Self-supporting Funds are managed as their own “stand alone” business. All revenues generated by the activity are recorded in the Fund and all expenses incurred in the operation of the activity are also recorded in the Fund. The Fund should not generate a profit nor should it incur a deficit. Rates are established to recover the actual costs of providing the goods or services.

However, there are times where a self-supporting activity may no longer be needed yet there is a positive cash balance remaining in the fund. A self-supporting fund cannot be terminated until all balances, encumbrances, etc. have been cleared from the fund. Since the guidelines are clear that the revenue can only be used for expenditures that are related to the self-supporting activity, it may be appropriate to close-out these self-supporting funds and lapse the funds into the University Income Fund, as dictated by the Legislative Audit Commission (LAC) University Guidelines³.

Additional policy information on Self-Supporting Funds can be found at:

<http://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=928752>

<http://www.obfs.uillinois.edu/common/pages/DisplayFile.aspx?itemId=919267>

II. Guidelines

The following guidelines describe how units may close a self-supporting fund and request the lapsed funds be returned to the appropriate unit.

A. Process

Every fiscal year-end, units which operate self-supporting activities must complete a Fact Sheet document for each self-supporting fund. This document is subject to audit by the independent Certified Public Accounting firm engaged by the Auditor General of the State of Illinois. Since the University’s consolidated financial statements are issued using accrual accounting under Generally Accepted Accounting Principles (GAAP), the submission of completed Fact Sheets is required so that adjusting entries can be processed converting those

¹ Indenture here meaning bond financing is used to provide facilities for delivering products and services

² (30 ILCS 105/) State Finance Act.: <http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=470&ChapterID=7>

³ State of Illinois Audit Commission, University Guidelines (1982 as amended 1997):

http://www.ilga.gov/commission/lac/lac_home.html

funds operating on a modified cash basis during the year to an accrual basis at fiscal year end. The information provided in the Fact Sheet is used to capture accrual transactions, such as deferred revenue and accounts payables that are not captured in the day to day accounting processes, and to more accurately reflect the financial condition of the self-supporting activity. During this review process, units should examine whether individual self-supporting funds are still needed. If a unit determines that a self-supporting fund is no longer needed, the unit should contact University Accounting and Financial Reporting (UAFR) and request that the self-supporting fund be terminated. This notification can be made on the Fact Sheet itself, or a separate request can be made to cfoapalmaintenance@uillinois.edu.

UAFR will work with the appropriate department to ensure there are no outstanding encumbrances, receivables, or other complications which would prevent termination of the fund. Once UAFR agrees that terminating the fund will not cause complications in other Banner processes, UAFR will lapse the remaining cash balance into the Miscellaneous Income Fund. UAFR will notify the respective department as well as the Office of Budgeting and Program Analysis (BPA) that the lapsed funds have been transferred to the Miscellaneous Income Fund. UAFR will then terminate the fund in Banner, which will prevent any future transactions from posting to that fund.

B. Allocation of lapsed funds

UIC procedures on allocating lapsed funds from closed-out self-supporting funds will be determined based on the dollar amount.

1. For lapsed funds less than \$10,000: Once notified by UAFR, BPA will allocate the funds directly to the respective department as a temporary (one-time cash) budget allocation. BPA will request a State C-FOAP in which to allocate the funds. The respective Academic Fiscal Officer (AFO) will be notified of the transaction.
2. For lapsed funds greater than \$10,000: Once notified by UAFR, BPA will contact the respective Academic Fiscal Officer. A spending plan will be requested to determine the appropriate expenditures for the funds (see below). Since self-supporting funds are not intended to be generated or used by units for discretionary purposes and self-supporting funds are not to generate a profit, the campus needs to ensure none of these principles were violated when the fund was active.

Once the spending plan has been approved by the Director of BPA, the AFO will be notified. BPA will then allocate the funds to cover the expenses.

Questions about this policy can be directed to the Office of Budget and Program Analysis.

**UNIVERSITY OF ILLINOIS AT CHICAGO
REQUEST FOR RETURN OF LAPSED FUNDS FROM TERMINATED SELF-SUPPORTING FUNDS (GREATER THAN
\$10,000)**

1) Fund (code and title) _____ Amount Lapsed \$ _____

Dept Org Code _____ Dept Title _____

Dean or Vice Chancellor (VC) Org Code _____ Dean or VC Title _____

Contact _____ Phone number _____

2) Describe the activity accounted for in this fund.

3) Specify the amount requested for return (Note: allocation of funds will be on a reimbursement basis for approved expenses).

4) Explain how the unit plans to spend the requested funds, including an anticipated timeline of spending.

5) Provide any other relevant information, data, or comments related to justification for return of funds.

6) Provide the state C-FOAP where the funds should be transferred.

Completed by: _____ **Date:** _____

Department Head Signature: _____ **Date:** _____

Dean or Vice Chancellor (or designee) Signature: _____ **Date:** _____

Submit to BPA@uic.edu

BPA OFFICE USE ONLY:

Amount Approved for Return \$ _____

Comments

Provost Designee Signature: _____ **Date:** _____