

University of Wisconsin System Balance Designation Guidelines

Definition

Examples

1. Obligated	<p>Balances held for a purpose as indicated by documentation such as a contract or an encumbrance that would make it difficult for institutions to use the balance for other purposes. Firm commitments; cannot be easily redistributed; encumbrances; a purchase order or contract; likely for projects that already started spending money.</p> <p>Rescinding obligated commitments creates the risk of significant cost, legal action, or reputational damage.</p>	<ul style="list-style-type: none"> • Signed contract for services with an external agency or business. • Purchase order or invoice. • A signed, organizationally-binding commitment from a chancellor or authorized authority that could not be changed without significant cost or reputational damage. • Signed contract for an employee for whom base resources (or a committed, ongoing funding stream) are not currently available. • Scholarships that have already been awarded. • One year of debt service justified by an amortization schedule or one year of funds for a building lease as shown on a lease contract. • Required lapse. • One year of estimated sabbatical or ALRA commitments. • Approved projects for which fixed cost expenditures are already being made. • Required cash deposit for an enumerated capital project or for a project that has been included for enumeration in the capital budget request approved by the Board of Regents.
2. Planned	<p>Balances less committed than obligated balances and held for a purpose as indicated by documentation such as a budget document or a memorandum signed by a an appropriate approving authority. Those authorized to approve balance commitments include chancellors, vice chancellors, deans, directors, and designees in accordance with institutional policies and/or practices. Institutions may use planned balances for other purposes if the use complies with any funding source requirements.</p> <ul style="list-style-type: none"> • Chancellor's or approving authority's directive for spending but no purchase order or contract (nothing obligating the funds) • Plan to hire new staff • Plan to set aside money for a scholarship • Plan to pay for debt service 	<ul style="list-style-type: none"> • Plans for new faculty and staff, who are not replacing existing staff, and for whom there is not a signed contract. • A chancellor's or authorized authority's spending directive that can be modified without significant cost or reputational damage. • Documented institutional priorities or strategic plans if the documentation includes a clear description of the amount of funds to be used, the purpose of the funds, and an indication of when the funds should be used. • Planned financial aid funding that has not yet been awarded. • Debt service for up to three additional years beyond the first obligated year as shown on the amortization schedule or building lease funds for up to three additional years beyond the first obligated year as shown on a lease contract. • Annual, ongoing operations, including the salaries of existing staff, for up to three years for which base resources (or a committed, ongoing funding stream) are not currently available. • Planned renovations. • Planned expenditures to launch or to support academic programs or student programs for which base resources (or a committed funding stream) are not currently available. • Required cash deposit for a non-enumerated capital project that is in the approved six-year plan.

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3. Designated	<p>Balances held for purposes related to the original funding source, but for which there is no documentation of an obligation or specific plan. Institutions may use designated balances for other purposes only if the use complies with funding source requirements.</p>	<ul style="list-style-type: none"> • Balances in Fund 136 (General Operations Receipts) are generally categorized as designated. However, this categorization does not apply to accounts from which funds have been reallocated one or more times to another purpose in the past six years. If this is the case, balances in these accounts would be undocumented unless sufficient documentation exists to categorize them as obligated or planned. • Fund 136 account balances often accumulate in advance of known expenses for the following years. Examples include study abroad, athletic camps, music camps, and remedial education. • Fund 132 (Extension Non-Credit Program Receipts) and Fund 189 (Extension Student Fees) balances must currently be used to support extension-related activities. Balances in these funds are also categorized as designated if they are not obligated or planned. • Fund 131 (Academic Student Fees) balances are classified as designated if the balances are for differential tuition and student technology fees as the funds can only be used for these purposes. • Balances from student-funded auxiliaries are also categorized as designated because current Board policy prohibits using these funds for other purposes unless approved by the Board for a one-time purpose.
4. Reserves	<p>Balances for which documentation indicates amounts are purposefully held for contingencies, including institutional reserve policies. Contingencies may result from unexpected funding shortfalls that must be addressed in order to ensure the continuation of operations and from an unanticipated need.</p> <p>Balances can be documented as reserves in a memo from the chancellor or authorized authority identifying a specific dollar amount for a reserve, a percentage of revenue that should be held as a reserve, or target reserve goal. The memo should identify who can approve the use of reserve funds.</p> <p>Institutions should consider reserve designation procedures that prevent duplicate reserve designations for the same purpose.</p> <p>Reserves are not set aside for a specific purposes (e.g., academic initiative, faculty salaries) or for a routine use (e.g., annual debt service payments).</p>	<p>Reserves are maintained to mitigate the following risks:</p> <ul style="list-style-type: none"> • Unexpected declines or fluctuations in enrollment resulting in a reduction in tuition, fee, or auxiliary revenue. • Significant declines or termination of federal or other external funding. • Emergencies or other unforeseen circumstances.
5. Undocumented	<p>Balances which are not yet obligated or planned and for which there are no funding source requirements.</p>	<ul style="list-style-type: none"> • Chancellor's or institutional discretionary funds, which are available to take advantage of strategic opportunities that emerge during the year, that have not yet been documented as planned or obligated.