

Madison College

Policy #2518
Fund Balance



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POLICY PURPOSE

This policy establishes parameters for reserving funds for future use and financial stability within the District. The policy is intended to guard against service disruptions, mitigate risk, ensure adequate cash flow, and support ongoing creditworthiness. This policy also ensures compliance with Wisconsin Technical College System (WTCS) requirements, including the Finance & Administrative Manual (FAM).

SCOPE

This policy applies to all District-controlled funds; excluding: Student Activities and Fiduciary.

DEFINITIONS

- **DESIGNATION**
An account used to earmark net fund resources per the District Board, for specific purposes.
- **RESERVE**
An account used to earmark net fund resources subject to externally enforceable legal restrictions.
- **RETAINED EARNINGS**
An account used to earmark net income for the reinvestment in college operations.

POLICY STATEMENT

The Madison Area Technical College District shall maintain fund balance levels adequate to assure the future financial health of the District and address financial challenges that may hinder the District's ability to fulfill its mission. The District Board must approve the fund balance levels and uses.

The College will develop financial plans that maintain adequate fund balance levels based on the following criteria:

- Meet annual cash flow needs and avoid short-term borrowing,
- Provide resources for unexpected expenditures and revenue fluctuations,

- Maintain a strong bond market credit rating and positive impression of the college's financial position and management.

The District Board disallows (Executive Limitation 2.5 Financial Condition and Activities) use of fund balance as a resource for balancing the operating budget and prohibits the President from exceeding approved appropriations that result in an unapproved reduction of fund balance.

The District will maintain the following reservations and designations of its fund balance, as calculated on June 30 of each fiscal year:

- Designated for Operations** (classification 3451) – Maintain a reserve for operations in the General Fund equal to 15.5% - 25% of the adopted General Fund and Special Revenue - Aidable Fund expenditure budgets for the next year. Fund balances in excess of this goal may be used to support one-time expenditures, which must be included in the budget.
- Designated for State Aid Fluctuations** (classification 3452) – The Wisconsin Technical College System Board allows each college the ability to set aside part of its fund balance to cover fluctuations in future years' budgeted state aid revenue. This amount is capped at 10% of the state aid received (classifications 4200 – 4299, excluding 4216). Whenever possible and applicable, the District will designate funds for this purpose.
- Designated for Subsequent Years** (classification 3491) – The Wisconsin Technical College System allows each college to set aside some of its General fund balance for use in later years. This amount is capped at 15% of the state aids received. Whenever possible and applicable, the District will designate funds for this purpose. An amount equal to 5% of the current state aids (4200-4299 excluding 4216) must be designated for subsequent year (classification 3492) before this classification may be used.
- Designated for Subsequent Year** (classification 3492) – The Wisconsin Technical College System allows each college to set aside some of its General fund balance for use in the next fiscal year. After a review of the balances in the above reserves and designations, identified funds will be included in this designation as of June 30. The following year's budget will be developed or modified to reappropriate these funds, as needed. Use of these funds will require Board approval and will be utilized for one-time expenditures only.
- Reserve for Encumbrances** (classification 3411) – Maintain a reserve of fund balance in the Capital Projects Fund equal to the amount of outstanding purchase orders in that fund as of June 30 of that fiscal year. These funds will be utilized to

cover the invoices related to the purchase order commitments.

- f. **Reserve for Prepaid Expenditures** (classification 3412) – Maintain a reserve of fund balance equal to the amount of prepaid expenditures showing as an asset as of June 30 of that fiscal year. These funds will be utilized to fund the expenditures related to prepaid expenditures.
- g. **Reserve for Post-Employment Benefits** (classifications 3417 and 3418) – Maintain a reserve of fund balance in the General Fund equal to the calculated post-employment benefit liability.
- h. **Retained Earnings** (classifications 3300-3399) – Maintain retained earnings in the Enterprise and Internal Service funds equal to the amount of 16% - 25% (60-90 days) of the adopted expenditure budget for the subsequent year. Retained earnings balances in excess of 25% may be transferred to other funds in compliance with the WTCS Financial and Administrative Manual only with approval of the Vice President, Finance & Administration or the President.
- i. **Reserve for Student Organizations** (classification 3415) – Maintain a fund balance reserve in the Special Revenue - Non-aidable Fund for Student Activities Board as of June 30 of that fiscal year in compliance with Student Activities Board policy, as approved by the District Board. It is the responsibility of the Student Activities Board to maintain adequate reserves. These funds will be used at the discretion of Student Activities Board for activities that benefit the students.
- j. **Reserve for Student Financial Assistance** (classification 3416) – Maintain a fund balance reserve in the Special Revenue - Non-aidable Fund equal to the amount of revenues over expenditures for financial aid transactions as of June 30 of that fiscal year plus any remaining funds from prior years. If these funds accumulate due underspending the entire tax levy match, the District may elect to transfer levy fund balances over \$25,000 to the General Fund, as it deems necessary and appropriate. In lieu of transferring the excess funds to the General Fund, the District may elect to re-appropriate these excess funds in upcoming years to reduce the amount of levy needed for the match requirement.
- k. **Reserve for Capital Projects** (classifications 3430-3439) – Maintain a reserve of fund balance in the Capital Projects Fund equal to the unspent proceeds of debt issuances plus any unspent earnings, donations, and other funds that may accumulate in this fund. These funds will be utilized for capital projects and other capital expenditures in subsequent years.
- l. **Reserve for Debt Service** (classifications 3440-3449) – Maintain a fund balance reserve in the Debt Service Fund equal to the anticipated debt service interest-only



payment due in September of each year, plus 25% of that estimated payment. Any funds in excess of this amount will be used in the subsequent year(s) in order to keep a stable debt service tax levy.

LINKS TO STATE/FEDERAL REGULATIONS

SUPPORTING DOCUMENTS

- [WTCS Finance and Administration Manual](#)
- Student Activities Board Bylaws

RELATED POLICIES

REVISIONS

8/28/2025..... Initial draft