

Cash Management

AASBO Certificate Program

February 2023



Cash Management

- Cash Management Overview
- Banking Services/Products
- Utilization of Technology in Cash Management
- Fraud and Security in Banking

**Combined Balance Sheet -- All Fund Types and Account Groups
For Fiscal Year Ended September 30, 20__**

Exhibit F-I-A

ABC School District

	GOVERNMENTAL				PROPRIETARY	FIDUCIARY	ACCOUNT
	General	Special	Debt	Capital	Enterp/ Internal	Trust Agency	GROUPS
Description		Revenue	Service	Projects			F/A L/T Dept
Assets and Other Debits:							
Assets:							
Cash	\$6,260,923.55	\$1,535,685.28	\$1,643,752.87	\$7,765,683.46	\$0.00	\$380,020.23	\$0.00
Investments	\$20,600.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Receivables	\$1,654,307.04	\$261,231.82	\$0.00	\$2,154,866.86	\$0.00	\$0.00	\$0.00
Interfund Receivables	\$96,381.22	\$302.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inventories	\$0.00	\$96,188.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,251.52	\$0.00
Fixed Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100,456,034.12
Construction In Progress	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$710,972.80
Other Debits:							
Amounts Available							
Amounts to be Provided	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$32,559,766.35
Other Debits							
Total Assets and Other Debits:	\$8,032,211.81	\$1,893,408.17	\$1,643,752.87	\$9,920,550.32	\$0.00	\$389,271.75	\$133,726,773.27
Liabilities and Fund Equity:							
Liabilities:							
Claims Payable	\$704,632.74	\$168,264.04	\$0.00	\$130,025.84	\$0.00	\$5,995.29	\$0.00
Interfund Payable	\$302.50	\$83,980.11	\$0.00	\$0.00	\$0.00	\$12,401.11	\$0.00
Other Liabilities	\$14,589.42	\$55,604.88	\$101,007.71	\$10,779.95	\$0.00	\$719.65	\$0.00
Long-Term Liabilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$32,559,766.35
Total Liabilities:	\$719,524.66	\$307,849.03	\$101,007.71	\$140,805.79	\$0.00	\$19,116.05	\$32,559,766.35
Fund Equity:							
Investments in General Fixed Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$101,167,006.92
Contributed Capital							
Reserved Fund Balance	\$0.00	\$96,188.57	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Unreserved Fund balance	\$7,312,687.15	\$1,489,370.57	\$1,542,745.16	\$9,779,744.53	\$0.00	\$370,155.70	\$0.00
Total Fund Equity:	\$7,312,687.15	\$1,585,559.14	\$1,542,745.16	\$9,779,744.53	\$0.00	\$370,155.70	\$101,167,006.92
Total Liabilities and Fund Equity:	\$8,032,211.81	\$1,893,408.17	\$1,643,752.87	\$9,920,550.32	\$0.00	\$389,271.75	\$133,726,773.27

Cash Management

A. Cash Flow vs Fund Balance

B. Best practices

- Review monthly analysis reports from the bank, along with monthly account reconciliations
 - Compare previous year balances
- Monitor daily cash balances
- Identify reserves and other balances that could be invested longer term in investments allowable by law.

Cash Management

- Improve cash management efficiency
- Improve your operational efficiency
- Increase your investment income

Cash Management

- How has banking activity changed over the year?
- How do companies/people transact business today?
- Are you using technology to:
 - Maximize earnings
 - Analyze your operations
 - Streamline tasks and improve efficiency

What is Cash Management?

Cash management is the corporate process of collecting and managing cash, as well as using it for (short-term) investing. It is a key component of ensuring a company's financial stability and solvency.

<http://www.investopedia.com/terms/c/cash-management.asp#ixzz4GkY8muMc>

Cash Management

Functions of Cash Management

Cash management is the treasury function of a business, responsible for achieving optimal efficiency in two key areas: receivables, which is cash coming in, and payables, which is cash going out.

https://en.wikipedia.org/wiki/Cash_management

Cash Management

- **Receivables Management**

- When a business issues an invoice it is reported as a receivable, which is cash earned but yet to be received. Depending on the terms of the invoice, the business may have to wait 30, 60 or 90 days for the cash to be received.
- School District In Flows
 - State-Aid /State Allocations
 - Federal Revenues-ES-2 or USDA(CNP)
 - Local Taxes

Cash Management

Payables Management

- When a business controls its payables, it can better control its cash flow. By improving the overall efficiency of the payables process, a business can reduce costs and keep more cash working in the business. Payables management solutions, such as electronic payment processing, direct payroll deposit, and controlled disbursement can streamline and automate the payable functions.

Cash Management

- Most of the receivables and payables management functions can be automated using business banking solutions. The digital age has opened up opportunities for smaller businesses to access the same large-scale cash management technologies used by bigger companies. **The cost savings generated from more efficient cash management techniques easily offsets the costs.**

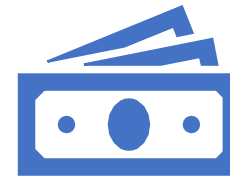
Cash Flow Management

Cash management involves:

- Knowing when, where, and how your cash needs will occur;
- Knowing the best sources for meeting additional cash needs; and
- Being prepared to meet these needs when they occur, by keeping good relationships with bankers and other creditors.

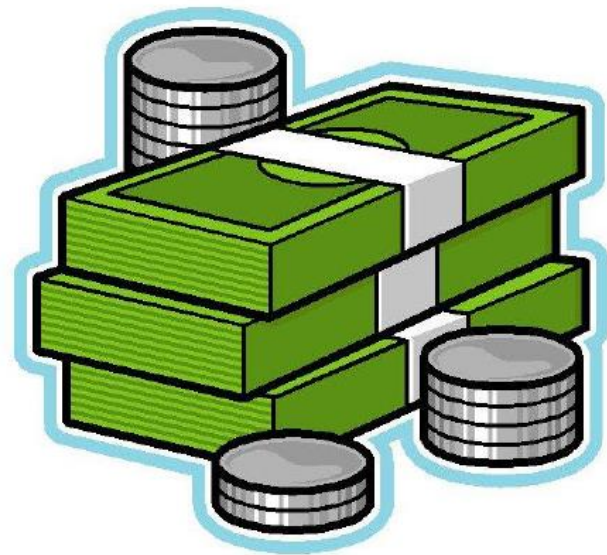
Cash Management

- Perform a detailed cash flow analysis and update it throughout the year.
- Identify major revenues and expenditures and their expected timing
- Review historical data to determine typical cash inflows and outflows throughout the fiscal year.



Best Practice Recommendation

- **GFOA recommends that state and local governments perform ongoing cash flow forecasting to ensure sufficient cash liquidity that meets disbursement requirements timely and limits idle cash.**



GFOA Best Practices- Cash Forecasts

- Governments conduct cash flow analysis to estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity
- Common inflows include state aid, tax receipts, bond proceeds, federal grants, and investments that will mature during the forecast time frame.



Cash Forecasts

- Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecast time frame.
- Governments should also consider and accommodate non-repetitive payments such as capital expenditures.

Cash Forecasts

- The cash forecast is critical to ensuring a district can meet its financial obligations and will not result from a cash shortage.
- Considerations
 - Timing of collections
 - Short term borrowing
 - Capital/Maintenance Projects
 - Investment decisions

Cash Flow Forecast

- Ensures Liquidly
 - Days Cash On Hand vs Fund Balance
- Serves as Investment Tool
 - Amount that is available for investment
 - Length of time to hold investment
- Can identify problems
 - Collections vs. disbursements
 - Budget projections

Cash Forecasts

- Consider historical information and projected financial activity.
- Compare actual cash flow results with projections and determine the reasons for variances
- Monitor cash position daily to ensure sufficient liquidity.
 - Evaluate projections at least quarterly and adjust
 - No forecast will be 100% accurate

Cash Flow Analysis

- Timing Considerations
 - State aid is paid on 20th of each month
 - What happens when it is late
 - Impact of early payroll
 - Look at weekly balances
- Local revenue collections
 - When are taxes collected
 - Property Taxes- Seasonal (15th and 30th)
 - Sales Taxes-Monthly- What date
 - City/County Appropriation

Cash Flow Analysis

- Considerations-Revenue/Inflows
 - State/Federal Allocations
 - Local Property & Sales Taxes
- Disbursements/Outflows
 - Payroll/Benefits (80%)
 - A/P schedule
 - Bond Payments
 - Capital

Cash Forecasts

- Districts can complete an analysis using simple spreadsheet software, while organizations that require more complex modeling can use commercially available software.

Sample Cash Flow Document

	October	November	December	January	February	March	April	May	June	July	August	September
Beginning Balance	\$4,500,000											
Cash Receipts												
State Aid												
Property Taxes												
Sales Taxes												
Federal Grants												
Other Receipts												
List												
Investment Maturity												
Total Cash Receipts												
Total Available Funds												
Cash Disbursements												
Gross Payroll												
Non Payroll Expenses												
Debt Payments												
Transfers												
Investment Purchases												
Other Disbursements												
Total Cash Disbursements												
Ending Balance												

FUND:11	<u>REVENUES</u>	<u>EXPENDITURES</u>		
GENERAL FUND				
Oct	10,744,391.53	12,839,183.55	BEGINNING EQUITY:	15,760,392.49
Nov	13,445,131.66	12,780,316.85	+ TOTAL ADJUSTMENTS:	0.00
Dec	19,862,536.73	12,276,153.54	= ADJUSTED EQUITY:	15,760,392.49
Jan	14,947,730.98	13,748,096.24	+ TOTAL REVENUES:	157,412,384.06
Feb	12,299,367.73	14,435,114.88	- TOTAL EXPENDITURES:	156,478,517.03
Mar	11,865,448.49	12,688,007.49	= CURRENT BALANCE:	16,694,259.52
Apr	11,153,832.33	11,854,061.18	- OPEN ENCUMBRANCES:	1,021,858.89
May	12,069,162.32	12,977,615.28	= CURRENT AVAILABLE :	15,672,400.63
Jun	11,813,865.67	11,648,409.42	- OPEN REQUISITIONS:	5,829.70
Jul	11,366,439.55	11,729,937.33	= NET AVAILABLE :	15,666,570.93
Aug	10,537,673.13	12,341,086.63		
Sep	17,306,803.94	17,160,534.64		
TOTALS:	157,412,384.06	156,478,517.03		

Sample Cash Flow Spreadsheet

General Fund Projected Cash Flow July 2012 - June 2013

	July	August	September	October	November	December	January	February	March	April	May	June	TOTAL
Beginning Balance	\$2,420,637	\$2,200,989	\$2,705,935	\$2,045,977	\$3,137,128	\$2,375,041	\$3,766,914	\$3,957,714	\$4,175,311	\$5,249,018	\$5,030,806	\$4,255,536	\$2,420,637
Cash Receipts													
State Aid	1,950,288	1,956,263	-	2,010,715	2,010,715	2,010,715	2,010,715	2,010,715	2,010,715	2,010,715	2,010,715	2,010,715	22,002,984
Property Taxes	-	-	1,141,241	158,290	19,199	13,254	152,528	86,160	325,543	14,493	10,108	295,570	2,216,386
Federal Grants	145,052	189,678	6,334	46,731	61,817	53,051	71,647	80,279	366,019	36,413	232,599	131,299	1,420,917
State Aid Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Note Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Maturity	247,000	750,238	500,000	743,194	499,559	1,480,000	-	-	500,000	-	-	-	4,719,990
Other	62,851	117,766	74,095	-	170,786	-	41,133	136,392	81,098	85,902	74,981	-	845,004
Total Cash Receipts	2,405,191	3,013,945	1,721,670	2,958,929	2,762,076	3,557,020	2,276,023	2,313,546	3,283,374	2,147,523	2,328,403	2,437,583	31,205,282
Total Available Funds	4,825,828	5,214,934	4,427,605	5,004,907	5,899,204	5,932,060	6,042,937	6,271,260	7,458,685	7,396,541	7,359,209	6,693,120	33,625,919
Cash Disbursements													
Gross Payroll	(1,122,173)	(1,119,992)	(1,321,916)	(1,563,827)	(2,435,761)	(2,033,173)	(1,532,324)	(1,502,281)	(1,628,646)	(1,587,871)	(2,281,340)	(1,750,045)	(19,879,351)
Non-Payroll Expenditures	(1,255,666)	(1,389,007)	(559,711)	(303,952)	(1,088,401)	(131,973)	(552,898)	(593,668)	(581,021)	(777,863)	(822,333)	(780,618)	(8,837,111)
Other Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Purchase	(247,000)	-	(500,000)	-	-	-	-	-	-	-	-	-	(747,000)
Set Aside Payments on Debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Note - Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Note - Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Set-Aside Payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Disbursements	(2,624,839)	(2,508,999)	(2,381,627)	(1,867,779)	(3,524,163)	(2,165,146)	(2,085,223)	(2,095,949)	(2,209,667)	(2,365,734)	(3,103,673)	(2,530,663)	(29,463,462)
Ending Balance	\$2,200,989	\$2,705,935	\$2,045,977	\$3,137,128	\$2,375,041	\$3,766,914	\$3,957,714	\$4,175,311	\$5,249,018	\$5,030,806	\$4,255,536	\$4,162,457	\$4,162,457

Cash Management

- Ensure, when possible, that all cash is in interest-bearing accounts.
- Consider longer-term investments that pay higher interest rates for reserves not expected to be needed in the near term
- Establish a formal investment policy to guide your district in making these decisions and review it annually.



Cash Management

- Develop an investment strategy
 - ✓ Understand your cash flows
 - ✓ Understand your investment choices
 - ✓ Develop an investment policy

Understand Your Cash Flow

- Maximize return on idle funds
- Invest excess funds daily
- 24 hours invested “ adds up quickly”
- Objective
 - 100% of funds are invested 100% of the time at the highest rate of return with safety and liquidity as the main drivers.



Investment for Boards of Education

General Operating Funds-

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the **Code of Alabama 1975, Section 19-3-120 and Section 19-3-120.1.**

Bond Proceeds Code of Alabama 1975 Section 16-13-304(e) (e) The proceeds of warrants issued under this article may be invested in any debt obligation or other investment in which a county or municipality in the State of Alabama is authorized to invest public funds at the time of investment by a board.

Helpful Hints

- Safeguarding of Assets- Safety Come First
 - Always stay with investments with which you are familiar
 - Treasury securities should serve as benchmark
 - When in doubt ask or research
 - Do not buy what you do not understand
 - Do not buy any investment that yields less than its corresponding treasury
 - Government guaranteed does not mean risk free
 - When in doubt ask or research

Guidelines of Investing

- Always buy every investment as though you will hold it until maturity
- Avoid investing all of your funds at once, especially if the environment is calling for an upward rate movement
- Never buy an investment expecting to sell it early
- Create and follow a cash flow forecast
- When in doubt DON'T

Investment Policy

WHY

- Formal written policy is vital for prudent investment management
- Gives clear guidance
- Communicates where the Board has chosen to go with their investment portfolio

Bank Account Overview

- Consolidate accounts when feasible to minimize bank fees, while continuing to maintain separate detailed accounting records.
- Consider a request for proposals for banking services every three-to-five years to maximize interest and minimize fees.

Sample Bank Structure

DEPOSITORY ACCOUNTS

General Fund – This is a major account for the Board where the majority of receipts will be deposited. This account will also receive ACH deposits from Federal, State and Local agencies.

Child Nutrition – This is the receiving funds for all school lunchroom activities of the Board of Education

Capital Building Fund – This is the receiving account on accounts for bond proceeds. These receipts will be by ACH or checks and be few in numbers.

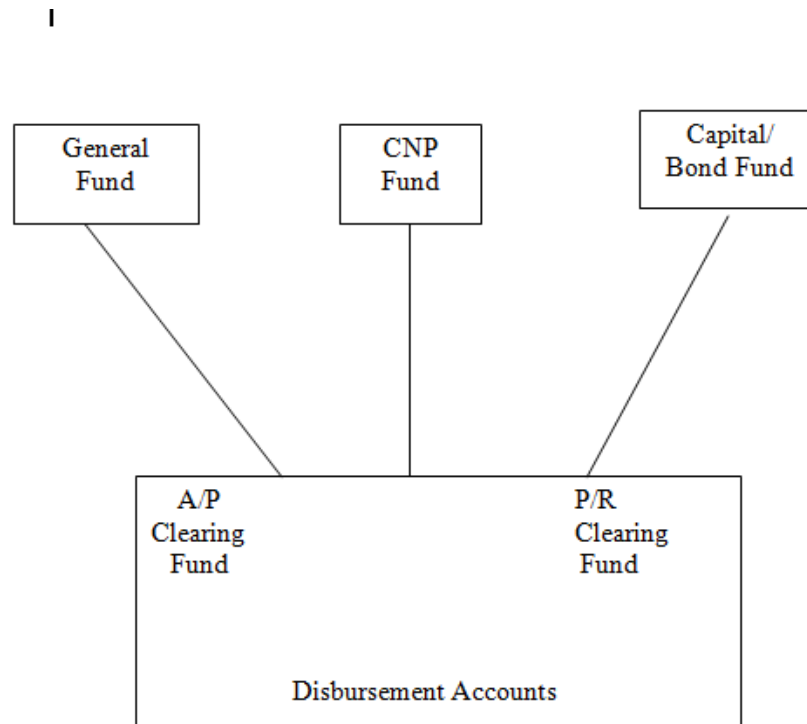
Sample Bank Structure

DISBURSEMENT ACCOUNTS

Accounts Payable Account – Transfers are made to this account from the depository accounts on a weekly basis to cover all checks written in accounts payable.

Payroll Account – Transfers are made to this account monthly or biweekly from the depository accounts to cover all payroll checks and direct deposits for payroll.

Sample Bank Structure



Banking Services

Bid or negotiate your banking services

- Identify banking institution that will provide the highest quality of service at the lowest cost to the board.

Choosing Your Bank

- Developing a banking relationship
 - Look for a multidimensional institution
 - Seek a bank that specializes in Public Funds relationship
 - State of **Alabama SAFE Program**
 - Location
- Identify banking institutions that will provide the highest quality of service at the lowest cost to the board
- Identify banks that are committed to technology and innovation

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Office of STATE TREASURER

Dedicated to Sound Fiscal Management for the State of Alabama

UNCLAIMED
PROPERTY

SAVINGS
PROGRAMS

SAFE
PROGRAM



Title 41- Chapter 14A, *Ala. Code* 1975

SECURITY FOR PUBLIC DEPOSITS

- [Section 41-14A-1](#) Short title.
- [Section 41-14A-2](#) Definitions.
- [Section 41-14A-3](#) Public deposits to be secured; exemptions.
- [Section 41-14A-4](#) Establishment of Security for Alabama Funds Enhancement Program; powers and duties of the State Treasurer relating to the program; tax exemption for funds maintained by State Treasurer pursuant to chapter.
- [Section 41-14A-5](#) Collateral for public deposits; general provisions.
- [Section 41-14A-6](#) Establishment of SAFE board of directors; powers and duties of the board of directors.
- [Section 41-14A-7](#) Disciplinary actions against qualified public depositories for violations of this chapter.
- [Section 41-14A-8](#) Contingent liability.
- [Section 41-14A-9](#) Procedures for payment of losses.
- [Section 41-14A-10](#) SAFE Loss Payment Fund.
- [Section 41-14A-11](#) Liability of public depositors and the state.
- [Section 41-14A-12](#) Disposition of funds.
- [Section 41-14A-13](#) Establishment of Program Enforcement Fund.
- [Section 41-14A-14](#) Audit by Examiner of Public Accounts

SAFE WEB is an online system that allows qualified public depositories the ability to submit their monthly SAFE reports electronically.

[LOGIN TO SAFE WEB](#)

State Treasury Office Hours

Monday – Friday 8 a.m. to 5 p.m. CST

*Our offices are closed on state holidays.

What is the SAFE Program?

The Security for Alabama Funds Enhancement, or SAFE Program, in Title 41, Chapter 14A, Code of Alabama 1975, as amended, provides a uniform program for the security of public funds deposited with financial institutions in the State of Alabama that qualify to serve as depositories of public funds.

What is the SAFE Program?

11.72 KB [Download](#)

How does a bank or savings institution become a SAFE member?

To become a member in the SAFE Program, a bank or savings institution must be organized and existing under Alabama or any other state law, be in the business of making loans and accepting deposits in Alabama, and have FDIC coverage. To apply for membership, please click the link for a list of documents that must be completed by the applying institution and submitted as an application package to SAFE.

SAFE Program Membership

48.98 KB [Download](#)

SAFE Program Reports

Approved SAFE Custodians

5.81 KB [Download](#)

Qualified Public Depositories (QPDs)

126.38 KB [Download](#)

SAFE Quarterly Data

106.01 KB [Download](#)

Choosing Your Bank

- Request for Proposal (RFP) - formal request
 - Needs determined
- Request for Qualifications (RFQ) – informal request
 - Looking at providers
- Request for Information (RFI) – informal request
 - What are our needs?
 - Gathering of ideas

Choosing Your Bank

- What do we do today - Information Gathering
 - Account Analysis – current services
 - Current System and Procedures
 - Reporting and Audit Requirements
- What are our needs – today and in the future?
 - Problem Areas
 - Reporting and Audit Requirements
 - Goal
 - determine targeted needs
 - eliminate weaknesses
- Create a list of requirements in banking services

- **Account Analysis Statement** -means a statement sent to Business Checking Account holders each month setting forth the transactions taking place on the account and/or other related accounts and a calculation of Service Charges to be debited for Deposit and/or Treasury Management services provided over the stated cycle.
- Detailed breakdown of average balance levels as well as a listing of each of the individual services you use
- Summary of your Earnings Credit Rate (ECR) – credit you earn based on your balances – along with a complete reconciliation of your account balances and the bank fees that apply to them

Understanding the Account Analysis Statement:

- AAS is monthly invoice provided by the bank that delineates the services provided and compensation required to pay for these services.
- It is not a monthly bank statement.
- If you are not receiving an AAS, request one from your bank.

Choosing Your Bank

Cash Management Services

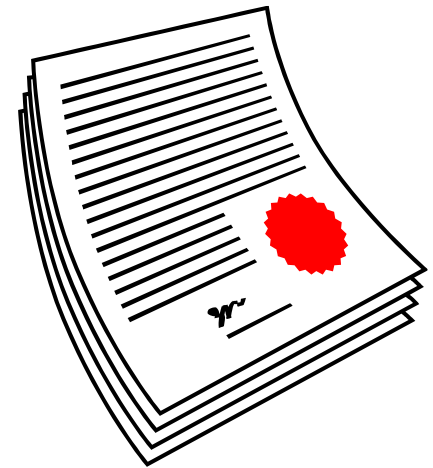
- Collection Services
- Disbursement Services
- Information Services
- Credit Services
- Fraud Protection
- Investment Services

How Do You Pay for Bank Services?

- Pay fees direct?
- Compensating balances to offset fees?
- Lower investment rate?

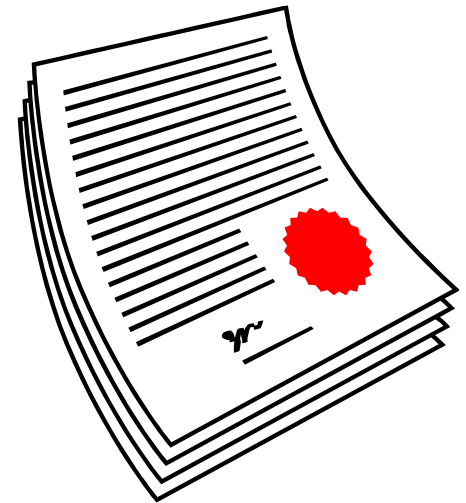
When to Consider an RFP

- Staffing Change
- Annual relationship reviews
- New technology
- Future Banking Needs
- Ensure competitive pricing and interest rates
- New Ideas
- Increased Risk (Credit Rating Change or Litigation)



Scope of Services

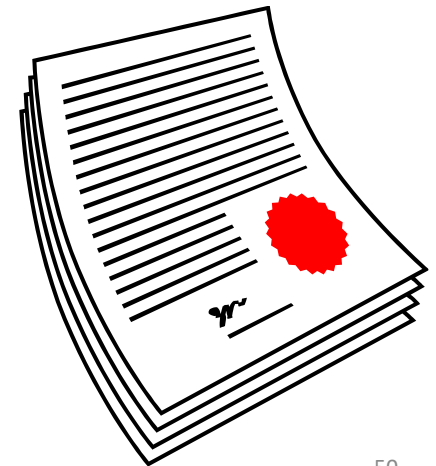
- Identify ways to improve procedures/services
 - Compare services used by other boards
 - Pre-Proposal Meeting
 - RFI



Components of Banking RFP

- General Information
- Calendar
- Minimum Proposer Requirements
- Scope of Services
- Evaluation Criteria
- Any Special Contract Provisions
- Exhibit and Attachments

Customize to fit your needs



Qualitative Criteria

- Service level
- Operational capabilities
- Public Funds Experience
- Financials controls
- Location, location, location
- Quality of proposal
- Creative or new approaches



Sources:

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Cash Management

AASBO Certificate Program

February 2023
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