



PMA[®]



Understanding Your Cash and Cash Flow

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Understanding Cash Accounts

Cash account functions per the WUFAR 700 000 Asset series
<https://dpi.wi.gov/sfs/finances/wufar/overview>

- ▶ 711000 Cash- Cash includes demand deposits (checking accounts); currency, checks, money orders, and bank drafts on hand, and deposits with fiscal agents (10 A 711000).
 - ▶ 711100 Cash on Deposit (also 711000)- bank deposits from which check withdrawals may be made as desired
 - ▶ Checking Account
 - ▶ Payroll Checking Account (Setup as a sweep)
 - ▶ Probably/maybe not Savings Sweep Account
 - ▶ Should NOT be savings
 - ▶ 711200 Cash on Hand (Petty Cash)- cash in the physical possession of the district which is set aside for payment of small obligations or for providing change (Not recommended)
 - ▶ Still need to record on your financial software



Understanding Cash Accounts - Continued

- ▶ 711300 Cash with Fiscal Agent- money deposited by agreement with a financial institution or other authority which serves as an agent to manage district funds for specific purpose
 - ▶ Escrow- typically management of funds for debt-based projects

- ▶ 712000 Investments- the amount of money invest to earn income. Investments are recorded at cost.
 - ▶ 712100 Certificates of Deposit (CDs)- certificates of deposit are for fixed dollar amounts and generally remain on deposit for specified lengths of time.
 - ▶ 712200 Savings Accounts/State Investment Pool- interest earning accounts which permit growth through additional deposits. Withdrawal activity may be restricted by rules and regulations of the depository.
 - ▶ Saving Sweep accounts
 - ▶ 712300 Government Securities- securities issued by various branches of government or agencies.
 - ▶ Savings bonds
 - ▶ 712400 Repurchase Agreement- a short-term investment in a security which a bank agrees to repurchase on a specified date for a specified amount.



Understanding Effected Liability Accounts for Cash Flow Purposes

Many districts have to short-term cash borrow to meet cash flow needs. Two main options for doing this:

1. Short-term Line of Credit- liability is only recorded when cash is withdrawn
2. Annual loan- liability is recorded for the full year

Use liability account 811100 Temporary Notes Payable (10 L 811100)

Bonus account: record interest expense for this borrowing to 10 E 800 682 283000



Cash Flow - Overview

- ▶ Consolidated reporting of cash and investment accounts
 - ▶ Checking, Payroll, Investment, Other accounts
 - ▶ Reconcile your cash book monthly (cash basis; not accrual)

School District Accounts					
Accounts:	Checking Acct	Payroll Account	Savings Account	WISC Account	Total Cash Bal.
<i>Beg Bal</i>	\$ 986,310.91	\$ 672,884.43	\$ 1,450,671.01	\$ 2,011,223.11	\$ 5,121,089.46
JUL 2023	\$ 236,288.23	\$ 112,556.55	\$ 1,398,892.21	\$ 1,757,712.36	\$ 3,505,449.35
AUG 2023	\$ 678,421.08	\$ 430,688.22	\$ 1,290,700.55	\$ 2,429,639.50	\$ 4,829,449.35
SEP 2023	\$ 468,113.88	\$ 543,223.34	\$ 997,328.60	\$ 2,518,783.53	\$ 4,527,449.35
OCT 2023	\$ 713,988.69	\$ 56,200.87	\$ 997,588.10	\$ 1,530,671.69	\$ 3,298,449.35
NOV 2023	\$ 518,277.41	\$ 236,221.99	\$ 1,000,338.01	\$ 328,611.94	\$ 2,083,449.35

- ▶ Review your internal reporting processes and responsibilities
 - ▶ Timely reporting of check runs and receipts
 - ▶ Accounts Payable Staff timely reporting of check runs
 - ▶ Payroll Staff: timely reporting of payroll runs
 - ▶ Accounts Receivable Staff timely reporting of revenues/receipts



Cash Flow – Cash Management Strategies

- ▶ Invoice processing
 - ▶ Are invoices paid immediately after approval? Do they need to be?
 - ▶ Review payment terms of invoices (net 30; net 45, etc.)
 - ▶ The longer you hold funds the more interest you will earn

- ▶ Review investment rates monthly
 - ▶ Short term investment rates are at the highest levels since 2007
 - ▶ Effective fed funds rate = 5.33% as of November 2023)
 - ▶ Consider reallocating funds into accounts earning a higher rate
 - ▶ Reach out to your local bank if they are not paying a competitive interest rate
 - ▶ LGIP: 5.37% as of 10/31/2023 (LGIP average rate for October 2023).
 - ▶ WISC: 5.32% as of 10/31/2023 (WISC-IS average rate for October 2023).



Cash Flow – Projection

- ▶ Review historical trends for expenditures and revenues
 - ▶ Additional Resources:
 - ▶ State Aid Payment Schedule available on DPI’s website:
https://dpi.wi.gov/sites/default/files/imce/sfs/pdf/paysch24_.pdf
- ▶ Create a cash flow schedule to project expected revenues, expenditures and cash balances

Month	Monthly Revenues			Monthly Expenditures		Cash Balances
	State Aid/Grants	Tax Settlements	Other	Payroll	Accounts Payable	
JUL 2023			\$ 325,000.00	\$ 992,000.00	\$ 520,000.00	\$ 3,505,449.35
AUG 2023		\$ 2,250,000.00	\$ 416,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,659,449.35
SEP 2023	\$ 750,000.00		\$ 290,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,187,449.35
OCT 2023			\$ 113,000.00	\$ 992,000.00	\$ 520,000.00	\$ 2,788,449.35
NOV 2023			\$ 127,000.00	\$ 992,000.00	\$ 520,000.00	\$ 1,403,449.35
DEC 2023	\$ 1,250,000.00		\$ 310,000.00	\$ 992,000.00	\$ 520,000.00	\$ 1,451,449.35
JAN 2024		\$ 3,600,000.00	\$ 340,000.00	\$ 992,000.00	\$ 520,000.00	\$ 3,879,449.35
FEB 2024		\$ 3,150,000.00	\$ 298,000.00	\$ 992,000.00	\$ 520,000.00	\$ 5,815,449.35
MAR 2024	\$ 1,250,000.00		\$ 685,000.00	\$ 992,000.00	\$ 520,000.00	\$ 6,238,449.35
APR 2024			\$ 234,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,960,449.35
MAY 2024			\$ 199,000.00	\$ 992,000.00	\$ 520,000.00	\$ 3,647,449.35
JUN 2024	\$ 1,750,000.00		\$ 697,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,582,449.35



Cash Flow – Short Term Borrowing Analysis

- ▶ Use your data to make informed decisions for short term borrowing and reduce interest cost
 - ▶ Short Term Borrowing
 - ▶ Projecting a cash deficit? Use your cash flow to identify:
 - ▶ When are you projected to go negative? How much is your largest deficit? How long are you negative?
 - ▶ Use cash flow analysis to borrow appropriate amount and repay earlier
 - ▶ Analyzing your cash low points will help determine the appropriate short term borrowing option
 - ▶ Tax and Revenue Anticipation Note (TRAN)
 - ▶ Line of Credit (LOC)

Month	Monthly Revenues			Monthly Expenditures		Cash Balances
	State Aid/Grants	Tax Settlements	Other	Payroll	Accounts Payable	
JUL 2023			\$ 325,000.00	\$ 992,000.00	\$ 520,000.00	\$ 3,505,449.35
AUG 2023		\$ 2,250,000.00	\$ 416,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,659,449.35
SEP 2023	\$ 750,000.00		\$ 290,000.00	\$ 992,000.00	\$ 520,000.00	\$ 4,187,449.35
OCT 2023			\$ 113,000.00	\$ 992,000.00	\$ 3,720,000.00	\$ (411,550.65)
NOV 2023			\$ 127,000.00	\$ 992,000.00	\$ 520,000.00	\$ (1,796,550.65)
DEC 2023	\$ 1,250,000.00		\$ 310,000.00	\$ 992,000.00	\$ 520,000.00	\$ (1,748,550.65)
JAN 2024		\$ 3,600,000.00	\$ 340,000.00	\$ 992,000.00	\$ 520,000.00	\$ 679,449.35
FEB 2024		\$ 3,150,000.00	\$ 298,000.00	\$ 992,000.00	\$ 520,000.00	\$ 2,615,449.35
MAR 2024	\$ 1,250,000.00		\$ 685,000.00	\$ 992,000.00	\$ 520,000.00	\$ 3,038,449.35
APR 2024			\$ 234,000.00	\$ 992,000.00	\$ 520,000.00	\$ 1,760,449.35
MAY 2024			\$ 199,000.00	\$ 992,000.00	\$ 520,000.00	\$ 447,449.35
JUN 2024	\$ 1,750,000.00		\$ 697,000.00	\$ 992,000.00	\$ 520,000.00	\$ 1,382,449.35

TRAN Repayment



Cash Flow - Maximizing Investment Opportunity

- ▶ Analyze available investment options and rates

School District Accounts

Accounts:	Checking Acct	Payroll Account	Savings Account	WISC Account
Rate:	1%*	1%*	2.5%*	5.324%**

- ▶ Review your cash flow to optimize investments
 - ▶ Consider investing idle funds not needed for near term liabilities
 - ▶ Extend investment maturity length
 - ▶ Match investment maturities to your liability “need” dates (e.g. payroll, accounts payable, etc.)
 - ▶ Maximize interest income

* - Rates for illustration purposes only. Actual rates may vary.

** - WISC-IS rate shown is the monthly average from October 2023. Rates are subject to change daily based on current market rates.



Cash Flow - Maximizing Investment Opportunity

- ▶ Review available investment options for liquid funds and fixed rate investments

- ▶ Liquid Products

- ▶ Checking, Savings, Money Market, LGIP, WISC

Account Type	Balance	Rate	Monthly Interest	Annual Interest
Checking	\$ 2,000,000.00	1%*	\$ 1,666.67	\$ 20,000.00
WISC	\$ 2,000,000.00	5.324%**	\$ 8,873.33	\$ 106,480.00
Additional Investment Earnings:			\$ (7,206.67)	\$ (86,480.00)

- ▶ Fixed Rate Investment Products

- ▶ CD's, U.S. Treasury and Agency Securities

Account Type	Balance	Rate	Monthly Interest	Annual Interest
Checking	\$ 2,000,000.00	1%*	\$ 1,666.67	\$ 20,000.00
12 Month CD	\$ 2,000,000.00	5.55%*		\$ 111,000.00
Additional Investment Earnings:			\$	(91,000.00)

* - Rates for illustration purposes only. Actual rates may vary.

** - WISC-IS rate shown is the monthly average from October 2023. Rates are subject to change daily based on current market rates.



Cash Flow – Maximizing Investment Opportunity

- ▶ Markets expect that the Fed is near the end of rate increases, you may want to consider moving excess cash to fixed rate investments to lock in rates

Fixed Income Investment Indication (as of 11/13/2023)
– For Illustration Purposes Only

Term	Rates	
	CDs	Treasury
60 Days	5.20%	5.23%
90 Days	5.40%	5.29%
120 Days	5.31%	5.31%
180 Days	5.55%	5.34%
270 Days	5.55%	5.28%
1 Year	5.55%	5.21%
18 Months	5.55%	5.07%
2 Years	5.55%	4.91%

Fixed Income Investment rates are quoted net of all transaction fees. Rates are subject to change and may be different than those available at the time of execution. CD rates represent the highest rates paid on the top yielding banks for FDIC Insured \$250,000 CDs and do not take into consideration individual portfolio holdings. CDs are quoted as yield to maturity investments and are subject to early withdrawal penalty unless otherwise waived.

*Fixed Income Investment rates are quoted net of all transaction fees.
Rates are subject to change and may be different than those available at the time of execution.
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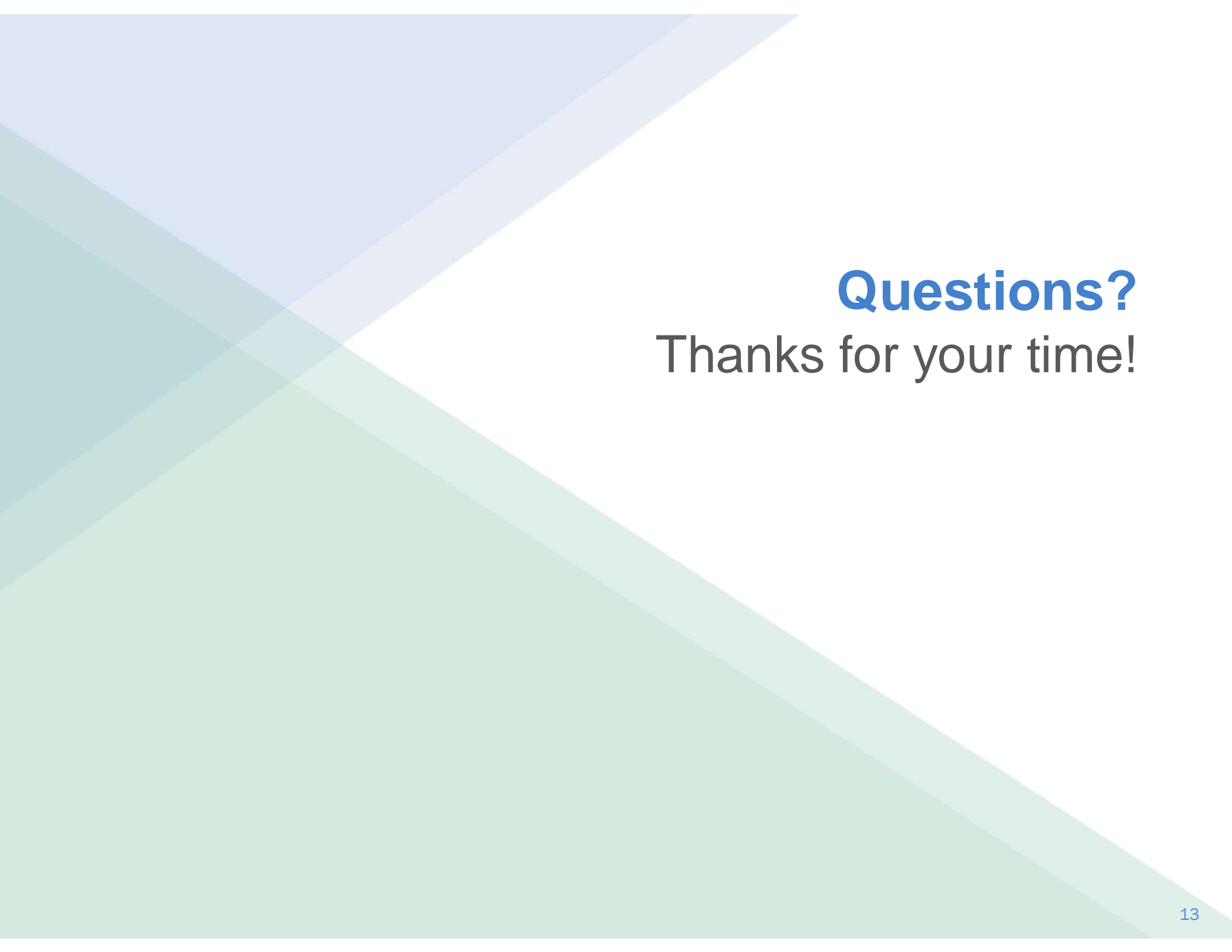
Cash Flow – Takeaways

Strategies to maximize your operational cash flow

- ▶ Consolidation of cash and investment accounts for true cash position
- ▶ Department reporting of cash positions
- ▶ Accounts Payable strategies

- ▶ Maximize investment opportunity
 - ▶ Identify timing of cash high points
 - ▶ Analyze investment options and rates
 - ▶ Consider moving excess cash to longer fixed rate investments

- ▶ Reduce interest costs (short term borrowing)
 - ▶ Analyze cash flow, determine low points
 - ▶ Identify best short term borrowing option (TRAN, LOC)
 - ▶ When do you need to borrow? When can you repay?



Questions?
Thanks for your time!



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