

**CPIM**

CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM BROUGHT TO YOU BY:

**JOSH MANDEL**

STATE TREASURER OF OHIO

# **CASH MANAGEMENT 200:**

# **Cash Positioning**

**2012 CPIM Academy**

CPIM  
CENTER FOR PUBLIC INVESTMENT MANAGEMENT



A PROGRAM REPORTED TO THE BY:  
**JOSH MANDEL**  
STATE TREASURER OF OHIO

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**CASH MANAGEMENT 200**

**Cash Positioning**

2012 CPIM Academy

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**Learning Objectives**

- Understanding Cash Decisions
- Use of Banking Tools
- Daily Analysis Techniques

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**To Start**

**Terms to Understand**

- *Account Balance*: The ledger balance in your checkbook. General ledger "Cash On Hand."
- *Float*: Those checks deposited which are in collection, either paper or electronic.
- *Collected Balance*: That part of account balance which has no float, including cash.

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## An Example

|                   |              |
|-------------------|--------------|
| Prior Day Balance | \$363,121.89 |
| Credits Total     | \$101,289.66 |
| Debits Total      | \$81,211.66  |
| Ledger Balance    | \$383,199.89 |
| Collected Funds   | \$312,665.01 |

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## Deposit Example

| Deposit Amount   | \$113,000 | Ledger Deposit Amount |
|------------------|-----------|-----------------------|
| Cash             | \$25,000  | Collected             |
| Checks           | \$88,000  |                       |
| Checks On Us     | \$9,000   | Collected             |
| Checks Clrghs    | \$28,000  | One day in float*     |
| Checks Regional  | \$25,000  | One day in float*     |
| Checks Other Fed | \$26,000  | two days in float*    |

(\*) Federal Reserve Regulation CC may limit the time of collections imposed here.

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## Collected Funds

- Banks distinguish between collected and available funds.
- A bank may allow for use of available funds but charge for the risk.
- Each bank's Deposit Rules and Regulations define this in the "fine print."




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## Deposit Account Credits Could Be:

- Normal "Over the Counter" Deposits
  - ✦ In branch banking office or by courier
  - ✦ Courier might accelerate check collection/decrease float – ask your bank
- Automated Clearing House (ACH) Deposits
- Wire Transfer Deposits
- Bank Originated Deposits
  - ✦ Lockbox
  - ✦ Investments Liquidations
  - ✦ Credit Card Receipts
- Internet Settlements

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## Deposit Account Debits Could Be:

- Checks or Drafts Issued
- ACH Debits Issued or Arranged?
- Investments Made
- Bank Fees/Charges
- Wire Transfers Out
- Internet Settlements
- Returns: Checks Deposited, ACH Debits

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## To Begin:

### We will know:

- ✦ Ledger balance
- ✦ Deposits Made By Us
- ✦ Checks or Drafts Issued By Us
- ✦ Investments Activity By Us
- ✦ Defined ACH Activity
- ✦ Credit Card Activity
- ✦ Internet Settlements

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## To Begin:

We will *not* know:

- ✦ From deposits – checks in float
- ✦ When issued checks will clear
- ✦ Deposits made by bank for lockbox, etc.
- ✦ ACH Deposits
- ✦ Returns

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## Other Considerations

- Do we have remote facilities making deposits?
  - ✦ Using remote capture or branch banking office?
  - ✦ Using cash vault for deposits/and/or cash orders?
- A single point and control for issuing checks/drafts?
- Are we using a sweep feature for our deposit account?
- More than one deposit account, either as a zero balance account, or separate.

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## Bank Reporting Products

- Banks Offer Reporting Products For Cash Management
  - ✦ Fee to use either monthly usage or based on amount of reporting required
  - ✦ Internet accessible
  - ✦ May be “canned reports” in a standard layout
  - ✦ May offer custom alternatives
- Information Available:
  - ✦ Prior Day Information
  - ✦ Same Day (Often called Intraday) Information

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## Caveats For Bank Reporting

- ACH Activity: Some areas of the US are experimenting with online “real-time” reporting of ACH activity.
- For most banks, there are “windows” for receiving these transaction files. One is a late afternoon window which may be posted to a deposit account without appearing on a bank reporting product.
- Bank Fees/Charges: Bank may have multiple operating areas issuing this activity.
- Deposit Reconciliation Reporting (Location reporting) will have adjustments issues.

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## Bank Reporting

- Many banks will also have available the ability to provide all account activity in a “flat file” or common ASCII formatted file which can be downloaded.
- These files utilize a BAI2 record format. By using this format, information from using multiple banks for deposit accounts can be digested into a standard reporting file.

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## Sample “Prior Day” Bank Report

|                   |              |
|-------------------|--------------|
| Prior Day Balance | \$363,121.89 |
| Credits Total     | \$101,289.66 |
| Debits Total      | \$81,211.66  |
| Ledger Balance    | \$383,199.89 |
| Collected Funds   | \$312,665.01 |

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## Your Records

- Prior Day Ledger and Ledger Balance will not agree depending on checks outstanding. These amounts are what should appear on the bank's deposit account statement.
- In the general ledger, Cash On Hand should agree to the bank statement in our reconciliation.
- Maintaining a positive ledger balance, using only collected funds for payments, will avoid an overdraft charge and possible financing charges for use of funds from the bank.

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## The Everything Bank Prior Day Reporting for May 11, 2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$363,121.89 |
| Credits Total          | \$101,289.66 |
| Debits Total           | \$81,211.66  |
| Ledger Balance         | \$383,199.89 |
| Collected Funds        | \$312,665.01 |
| <i>Deposits Detail</i> |              |
| ACH Deps               | \$24,001.01  |
| Checks Deposits        | \$70,012.66  |
| Vault Deposits         | \$7,275.99   |

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## The Everything Bank Intraday Day Reporting for May 12, 2011

| <b>Deposits</b> | <b>Total</b>      | <b>Collected</b>  | <b>1 Day float</b> | <b>2 day float</b> |
|-----------------|-------------------|-------------------|--------------------|--------------------|
| Lockbox Dep     | 121,001.93        | 60,877.04         | 49,001.23          | 11,123.66          |
| Lockbox Dep     | 41,213.99         | 18,888.94         | 21,090.09          | 1,234.96           |
|                 |                   |                   |                    |                    |
| Deposit         | 119,994.01        | 103,319.03        | 15,689.00          | 985.98             |
| Deposit         | 41,213.55         | 25,896.98         | 14,070.60          | 1,245.97           |
| Vault Deposit   | 24,342.10         | 24,342.10         |                    |                    |
|                 |                   |                   |                    |                    |
| ACH Deposit     | 12,456.77         | 12,456.77         |                    |                    |
|                 |                   |                   |                    |                    |
| <b>Total</b>    | <b>360,222.35</b> | <b>245,780.86</b> | <b>99,850.92</b>   | <b>14,590.57</b>   |

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## Building Cash Position

| <b>For May 12, 2011</b> | <b>Amount</b>       | <b>Collected Funds</b> | <b>Report</b>  |
|-------------------------|---------------------|------------------------|----------------|
| Ledger Balance          | \$363,121.89        | \$312,665.01           | 5/11 Prior Day |
| Add                     | \$360,222.35        | \$245,780.86           | 5/12 Intra Day |
| <b>Total</b>            | <b>\$723,344.24</b> | <b>\$558,445.87</b>    |                |
| <br>                    |                     |                        |                |
| For 5/13/2011           |                     | \$99,850.92            | 5/12 Intra Day |
| <br>                    |                     |                        |                |
| 5/14/2011               |                     | \$14,590.57            | 5/12 Intra Day |

*These amounts do not consider checks arriving for payment.*

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## Next Steps

- With information collected each day, we can use the daily collected funds values from these reports to:
  - ✦ Trend deposit values over time periods.
  - ✦ Determine seasonality in cash and or disbursements.
  - ✦ Follow cash flow for budgeting purposes.
  - ✦ Avoid use of uncollected funds.
  - ✦ Identify changes in float from payor changes in behavior.

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## Case Study

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### Day One Reporting

For 5/2/2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$363,121.89 |
| Credits Total          | \$101,289.66 |
| Debits Total           | \$81,211.66  |
| Ledger Balance         | \$383,199.89 |
| Collected Funds        | \$312,665.01 |
| <i>Deposits Detail</i> |              |
| ACH Depts              | \$24,001.01  |
| Checks Deposits        | \$70,012.66  |
| Vault Deposits         | \$7,275.99   |
| <i>Debits Detail</i>   |              |
| Checks Paid            | \$78,970.50  |
| ACH Debits             | \$2,241.16   |

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### Day Two Reporting

For 5/3/2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$383,199.89 |
| Credits Total          | \$101,255.12 |
| Debits Total           | \$64,654.22  |
| Ledger Balance         | \$429,800.79 |
| Collected Funds        | \$384,012.88 |
| <i>Deposits Detail</i> |              |
| ACH Depts              | \$0.00       |
| Checks Deposits        | \$101,655.12 |
| Vault Deposits         | \$9,600.00   |
| <i>Debits Detail</i>   |              |
| Checks Paid            | \$64,654.22  |
| ACH Debits             | \$0.00       |

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### Day Three Reporting

For 5/4/2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$429,800.79 |
| Credits Total          | \$220,338.44 |
| Debits Total           | \$141,001.25 |
| Ledger Balance         | \$509,137.98 |
| Collected Funds        | \$411,010.12 |
| <i>Deposits Detail</i> |              |
| ACH Depts              | \$120,121.16 |
| Checks Deposits        | \$88,121.16  |
| Vault Deposits         | \$12,096.12  |
| <i>Debits Detail</i>   |              |
| Checks Paid            | \$138,760.09 |
| ACH Debits             | \$2,241.16   |

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## Day Four Reporting

For 5/5/2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$509,137.98 |
| Credits Total          | \$230,513.93 |
| Debits Total           | \$287,171.75 |
| Ledger Balance         | \$452,480.16 |
| Collected Funds        | \$211,923.60 |
| <i>Deposits Detail</i> |              |
| ACH Deps               | \$0.00       |
| Checks Deposits        | \$221,112.77 |
| Vault Deposits         | \$9,401.16   |
| <i>Debits Detail</i>   |              |
| Checks Paid            | \$95,010.21  |
| ACH Debits             | \$192,161.54 |

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## Day Five Reporting

For 5/6/2011

|                        |              |
|------------------------|--------------|
| Prior Day Balance      | \$452,480.16 |
| Credits Total          | \$177,665.33 |
| Debits Total           | \$99,012.23  |
| Ledger Balance         | \$531,133.26 |
| Collected Funds        | \$271,006.15 |
| <i>Deposits Detail</i> |              |
| ACH Deps               | \$0.00       |
| Checks Deposits        | \$165,655.13 |
| Vault Deposits         | \$12,010.20  |
| <i>Debits Detail</i>   |              |
| Checks Paid            | \$99,012.23  |
| ACH Debits             | \$0.00       |

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## Worksheet

**2-May 3-May 4-May 5-May 6-May**

Ledger Balance  
 Collected Funds  
 Float  
  
 Available Funds  
  
 Collected - Available  
  
 Immediate Collected\*

(\*) We can be certain of these amounts. Some portion of the checks deposited may be collected funds (ON-US).

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## Solutions

|                       | 2-May        | 3-May        | 4-May        | 5-May        | 6-May        | Average      |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Ledger Balance        | \$383,199.89 | \$429,800.79 | \$509,137.98 | \$452,480.16 | \$531,133.26 | \$461,150.42 |
| Collected Funds       | \$312,665.01 | \$384,012.88 | \$411,010.12 | \$211,923.60 | \$271,006.15 | \$318,123.55 |
| Float                 | \$70,534.88  | \$45,787.91  | \$98,127.86  | \$240,556.56 | \$260,127.11 | \$143,026.86 |
| Available Funds       |              | \$429,800.79 | \$509,137.98 | \$452,480.16 | \$531,133.26 |              |
| Collected - Available | \$312,665.01 | \$384,012.88 | \$411,010.12 | \$211,923.60 | \$271,006.15 |              |
| Immediate Collected*  | \$31,277.00  | \$9,600.00   | \$132,217.28 | \$9,401.16   | \$12,010.20  |              |

(\*) We can be certain of these amounts. Some portion of the checks deposited may be collected funds (ON-US).

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## Questions?



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