

Cash and Investment Monitoring

Yearend Training

What is the PTIF?

- PTIF = Public Treasurer's Investment Fund
- Includes funds held by Utah local gov'ts, city & county treasurers, state boards, commissions, institutions, departments, divisions, agencies, school districts and other public bodies

What state funds can invest in the PTIF?

- Only those funds that have legislative authority (by statute) to earn interest can invest money in the PTIF
- FIACCT 02-07 governs this



What state funds can invest in the PTIF?

- Example of statute allowing interest –

19-8-103. Creation of restricted account -- Purposes.

(1) There is created within the General Fund the Environmental Voluntary Cleanup restricted account.

(2) The account shall be used to fund department administration and oversight of voluntary cleanups initiated under this chapter.

(3) The account may earn interest, which shall be deposited in the account, to be used for the purposes under this section.

Policy regarding investment of funds

FIACCT 02-07

Finance policy regarding investment of funds – FIACCT 02-07

- Allows state agencies to invest excess cash with the State Treasurer and receive interest earned on the investments
- Establishes minimum cash balance requirements

Finance policy regarding investment of funds – FIACCT 02-07

- Policy applies to the investment of funds if:
 - The funds are maintained on the state’s central accounting system and
 - The funds are authorized to invest and retain interest through legislative directive or
 - The funds are authorized to invest and retain interest by contractual agreement (trust funds)

Finance policy regarding investment of funds – FIACCT 02-07

- Minimum Balance Requirement
 - Each investing fund should maintain an uninvested cash balance of \$50,000 or 10% of the cash + investment balance (whichever is lesser)

Minimum Balance Requirement

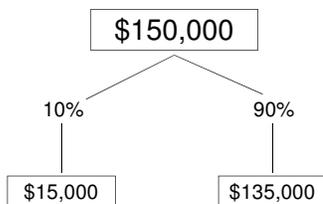
- The General Fund incurs the cost of accounting for and investing funds and therefore should receive compensation for this service
- This compensation is received by the General Fund if each investing fund maintains a minimum cash balance (all cash balances within FINET are automatically invested by the General Fund)

Example --

- On June 1, Fund ABCD has a combined cash and investment balance of \$150,000. How much should be in cash and how much should be invested in order to maintain the minimum balance requirement?

Example --

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Finance policy regarding investment of funds – FIACCT 02-07

- Uninvested Balances
 - If there is money in cash that is not invested, interest will not be applied retroactively.
 - If the error is outside the agency’s control, the agency may request a retroactive application of interest (contact the Division of Finance)

CASH vs. PTIF

What's the difference?

Differences between PTIF Investments and Cash

Cash = checking account
(non-interest bearing)

\$ Cash \$

PTIF



PTIF = savings account
(interest bearing)

Just like at a bank --

- If interest should be earned on \$\$, it needs to be in the "savings account"
- If money is being spent, \$\$ needs to be in cash (0010) or else the "checking account" will become overdrawn
- Money is not automatically transferred between checking and savings when a check is written

PTIF Procedures

Setting up PTIF accounts and investing/un-investing money

How to set up a PTIF account

- Ensure the fund has statutory authority to earn interest
- Contact Stephanie Baldes at the Treasurer's Office at 801-538-1470 or sbaldes@utah.gov to get a PTIF account number
- Complete the *New Account Application and Change Form* found on-line at www.utah.gov/treasurer
- Fax the completed form to 801-538-1465

Procedures to invest funds

- Deposit the monies into the fund (CR) – this should be done within 3 working days of receiving the money
- Send request form to the State Treasurer's office to invest or un-invest the funds
- The Treasurer's office will process a JVCO to move the monies between cash and investment

Monitor the cash and investment balances through FINET

Production Financial
 Message Center
 Search
 Page Search
 Document Catalog
 Report Search
 History
 Favorites
 Administration

Page Search

Category:

Page Type:

Description:

Page Code: Page Code = BBALD

Browse Clear

Description	Page Code
ITD Balance Sheet Detail	BBALD

First Prev Next Last Open With Data

Monitor the cash and investment balances through FINET

ITD Balance Sheet Detail

Menu Quick Search

Fund	Name	Sub Fund	Name	BSA	Name	Sub BSA	Name	BSA Type	Balance
0010	FIN DPS TERM PL	BLNK	0010	Cash	BLNK	Asset			\$2,445.64
0010	FIN DPS TERM PL	BLNK	5400	Acrd P/R Ctl	BLNK	Liability			\$0.00
0010	FIN DPS TERM PL	BLNK	6000	Def of Fund	BLNK	Liability			\$0.00
0010	FIN DPS TERM PL	BLNK			BLNK	Liability			\$0.00
0010	FIN DPS TERM PL	BLNK			BLNK	Equity			\$600,264.72

1- Search

Search - Microsoft Int...

Fund: 2- Enter fund number

BSA:

Balance:

Sub Fund:

Sub BSA:

Ok Clear Cancel

Fund: 0010
 FIN DPS
 Sub Fund: BLNK
 Sub BSA:
 BSA: 0010
 Cash

Monitor the cash and investment balances through FINET

ITD Balance Sheet Detail

Menu Quick Search

Fund	Name	Sub Fund	Name	BSA	Name	Sub BSA	Name	BSA Type	Balance
2460	FIN ED BDOT RES	BLNK	0010	Cash	BLNK	Asset			\$50,000.00
2460	FIN ED BDOT RES	BLNK	0602	Investments	BLNK	Asset			\$233,507,906.69
2460	FIN ED BDOT RES	BLNK	7889	Inv-FV Adj	BLNK	Asset			\$0.00
2460	FIN ED BDOT RES	BLNK	7125	FB Rstr Funds	BLNK	Equity			\$0.00
2460	FIN ED BDOT RES	BLNK	7166	Rainy Day Fund	BLNK	Equity			(\$142,000,324.49)

First Prev Next Last

Search

Fund: Debit Amount:

FIN ED BDOT RES Credit Amount:

Ok Clear Cancel

Monitor FINET Reports

State of Utah

REPORT ID: AM31 TRIAL BALANCE REPORT - SUMMARY PAGE: 2

RUN DATE: 06-0X-201X FY 2010 THROUGH AND 11 AS OF 06-0X-201X

FUND - 0010 UPER Public Safety-OPER Pool

ACCOUNT TYPE	ENDING BALANCE	TOTAL DEBITS	TOTAL CREDITS	ENDING BALANCE
0010 - Cash	\$50,000.00	\$540,821.78	(\$540,821.78)	\$50,000.00
0602 - Investments	\$1,313,938.19	\$487,881.25	(\$373,607.08)	\$1,313,558.21
7889 - Inv-FV Adj	\$0.00	\$0.00	\$0.00	\$0.00
7125 - Investment Equity	\$4,121,639.42	\$173,007.08	\$0.00	\$4,499,266.50
7166 - Investment Fair Value Adjust	\$0.00	\$0.00	\$0.00	\$0.00
7100 - Account Pay From Closing Form	\$0.00	\$0.00	\$0.00	\$0.00
1801 - Due From Other Funds	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP ASSET TOTAL	\$7,865,567.61	\$1,199,715.68	(\$914,428.86)	\$6,671,423.95
Liability				
5100 - Voucher Payable Control	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP LIABILITY TOTAL	\$0.00	\$0.00	\$0.00	\$0.00
Fund Balance				
7125 - Fund Balance-Functional Funds	(\$1,164,683.32)	\$0.00	\$0.00	(\$1,164,683.32)
7200 - Fund Balance-Deficit-Closing	\$0.00	\$0.00	\$0.00	\$0.00
ACCT TYP FUND BALANCE TOTAL	(\$1,164,683.32)	\$0.00	\$0.00	(\$1,164,683.32)

Example --

- On June 15, Fund ABCD makes a \$65,000 payment. The Fund had a total of \$150,000 available (\$15,000 in cash and \$135,000 in investments). What needs to be done to keep a positive cash balance



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	Cash	Investments
\$150,000		
(65,000)		
\$85,000	\$15,000	\$135,000
	(65,000)	(0)
	(50,000)	135,000
	<u>58,500</u>	<u>(58,500)</u>
	\$8,500	\$76,500

Un-invest \$58,500

Example --

- On June 15, Fund ABCD receives a check for \$100,000. The Fund had a total of \$150,000 available before the deposit (\$15,000 in cash and \$135,000 in investments). What needs to be done to maximize interest earnings while maintaining a minimum cash balance?



Example --

- On June 15, Fund ABCD receives a check for \$100,000. The Fund had a total of \$150,000 available before the deposit (\$15,000 in cash and \$135,000 in investments). What needs to be done to maximize interest earnings while maintaining a minimum cash balance?

$ \begin{array}{r} \$150,000 \\ \underline{100,000} \\ \$250,000 \end{array} $	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; padding-right: 10px;">\$ 15,000</td> <td style="text-align: right; padding-right: 10px;">\$135,000</td> </tr> <tr> <td style="text-align: right; padding-right: 10px;"><u>100,000</u></td> <td style="text-align: right; padding-right: 10px;"><u>(0)</u></td> </tr> <tr> <td style="text-align: right; padding-right: 10px;">115,000</td> <td style="text-align: right; padding-right: 10px;">135,000</td> </tr> <tr> <td style="text-align: right; padding-right: 10px;"><u>(90,000)</u></td> <td style="text-align: right; padding-right: 10px;"><u>90,000</u></td> </tr> <tr> <td style="text-align: right; padding-right: 10px;"><u>\$25,000</u></td> <td style="text-align: right; padding-right: 10px;"><u>\$225,000</u></td> </tr> </table>	\$ 15,000	\$135,000	<u>100,000</u>	<u>(0)</u>	115,000	135,000	<u>(90,000)</u>	<u>90,000</u>	<u>\$25,000</u>	<u>\$225,000</u>
\$ 15,000	\$135,000										
<u>100,000</u>	<u>(0)</u>										
115,000	135,000										
<u>(90,000)</u>	<u>90,000</u>										
<u>\$25,000</u>	<u>\$225,000</u>										
$ \begin{array}{cc} 10\% & 90\% \\ \swarrow & \searrow \\ \$25,000 & \$225,000 \end{array} $	<p>Invest \$90,000</p>										

Negative Cash Balances

The effect on the General Fund and on interest earned

Negative Cash Balances

- The General Fund earns interest daily on all of the cash in balance sheet 0010
- If any individual fund has a negative cash balance, it reduces the interest earned by the General Fund
- The General Fund is basically loaning the other fund money to cover its negative cash balance

Negative Cash Balances

Interest is still earned by ABCD Fund on its investments even though the cash balance in the fund is negative



The General Fund loses interest on the overall cash balance since ABCD Fund has a negative cash balance

Negative Cash Balances

- Per FIACCT 02-07, "the General Fund must not be penalized if your resources are over invested"



- The Division of Finance monitors cash balances on a monthly basis. If a fund has a negative balance for the month, the interest earned will be returned to the General Fund

Re: Negative Cash and Positive Investments

Some agencies by Utah law are allowed to invest and earn interest on certain specified funds. However, an agency cannot invest more than its available cash balance. Required minimum cash balances and management of investments are outlined in State Accounting Policy FIACCT 02-07.00. Financial managers are responsible for managing their cash and investment balances. The State Division of Finance monitors cash balances in all funds.

For the month of January 20XX, the following fund had an average negative cash balance and a positive investment balance with the State Treasurer. FIACCT 02-07.00 states "The General Fund must not be penalized if your resources are over-invested." Accordingly, the following table shows the amount of interest the State Division of Finance will return to the General Fund which amount represents the average over-investment of funds.

Fund	Fund Name	Average Cash Balance	Interest Owed*
1234	(FIN) CASH MONITORING FUND	(\$2,475,501.26)	\$1,187.40

*Interest is calculated as 1/12th of the average daily balance x Interest Rate = 0.7393% (Average FTIF interest rate for January 20XX). However, if the actual interest earned is less than the calculated amount, only the actual interest earned will be returned to the General Fund.

Please monitor your cash and investment balances closely to avoid this problem in the future. If you have any questions, contact Deborah Memmott, State Division of Finance, at 538-3171 or Jason Nielsen, State Treasurer's Office at 538-1453. Thank you for your cooperation.

How is the average negative cash balance calculated?

CASH		
Beginning balance	1-Jun	100,000.00
	5-Jun	(150,000.00)
	25-Jun	100,000.00
	Transactions during the month	
Ending balance	30-Jun	50,000.00

How is the average negative cash balance calculated?

1-Jun	100,000.00
5-Jun	(150,000.00)
25-Jun	100,000.00
30-Jun	50,000.00

Daily Balances

June		
1	100,000.00	16 (50,000.00)
2	100,000.00	17 (50,000.00)
3	100,000.00	18 (50,000.00)
4	100,000.00	19 (50,000.00)
5	(50,000.00)	20 (50,000.00)
6	(50,000.00)	21 (50,000.00)
7	(50,000.00)	22 (50,000.00)
8	(50,000.00)	23 (50,000.00)
9	(50,000.00)	24 (50,000.00)
10	(50,000.00)	25 50,000.00
11	(50,000.00)	26 50,000.00
12	(50,000.00)	27 50,000.00
13	(50,000.00)	28 50,000.00
14	(50,000.00)	29 50,000.00
15	(50,000.00)	30 50,000.00

On June 1st the cash balance was 100,000. It stayed at this balance for 4 days. On June 5th \$150,000 was spent and the balance became negative for the next 20 days. On June 25th, \$100,000 was deposited in the fund and the balance became positive again for the remaining 5 days of the month.

How is the average negative cash balance calculated?

June		
1	100,000.00	16 (50,000.00)
2	100,000.00	17 (50,000.00)
3	100,000.00	18 (50,000.00)
4	100,000.00	19 (50,000.00)
5	(50,000.00)	20 (50,000.00)
6	(50,000.00)	21 (50,000.00)
7	(50,000.00)	22 (50,000.00)
8	(50,000.00)	23 (50,000.00)
9	(50,000.00)	24 (50,000.00)
10	(50,000.00)	25 50,000.00
11	(50,000.00)	26 50,000.00
12	(50,000.00)	27 50,000.00
13	(50,000.00)	28 50,000.00
14	(50,000.00)	29 50,000.00
15	(50,000.00)	30 50,000.00
		(300,000.00)
		30 days
		(10,000.00)

The average cash balance for the month

How is the average negative cash balance calculated?

1-Jun	100,000.00
5-Jun	(150,000.00)
15-Jun	100,000.00
30-Jun	50,000.00

June		
1	100,000.00	16 50,000.00
2	100,000.00	17 50,000.00
3	100,000.00	18 50,000.00
4	100,000.00	19 50,000.00
5	(50,000.00)	20 50,000.00
6	(50,000.00)	21 50,000.00
7	(50,000.00)	22 50,000.00
8	(50,000.00)	23 50,000.00
9	(50,000.00)	24 50,000.00
10	(50,000.00)	25 50,000.00
11	(50,000.00)	26 50,000.00
12	(50,000.00)	27 50,000.00
13	(50,000.00)	28 50,000.00
14	(50,000.00)	29 50,000.00
15	50,000.00	30 50,000.00

If the \$100,000 was deposited in the fund 10 days earlier the average cash balance for the month is no longer negative.

The average cash balance for the month

700,000.00
30 days
23,333.33

Example --

Sept		
1	3,825.00	16 (55,481.90)
2	3,825.00	17 (55,481.90)
3	3,825.00	18 (55,481.90)
4	(52,050.00)	19 (55,481.90)
5	(52,050.00)	20 (55,481.90)
6	(52,050.00)	21 (55,481.90)
7	(52,050.00)	22 (55,481.90)
8	(52,050.00)	23 (55,481.90)
9	(52,050.00)	24 (55,481.90)
10	(52,050.00)	25 (55,481.90)
11	(55,481.90)	26 1,397,518.10
12	(55,481.90)	27 1,397,518.10
13	(55,481.90)	28 1,397,518.10
14	(55,481.90)	29 1,397,518.10
15	(55,481.90)	30 1,400,310.90
		5,805,279.80
		30 days
		193,509.33

Cash was negative for 22 days during the month

Although the cash balance was negative for over 2/3 of the month, the average balance was still positive. In this case, no interest would be transferred back to the General Fund

Be aware of the cash balance in the fund – the General Fund receives the interest earned on uninvested cash balances

	BS Acct 0010		Interest Would
	Avg Bal	PTIF %	Have Earned
Jan 201X	\$13,086,595.10	0.5955%	6,618.71
Feb 201X	\$13,086,595.10	0.5518%	5,539.79
Mar 201X	\$12,510,720.10	0.5605%	5,955.20
April 201X	\$12,070,345.10	0.5649%	5,604.22
May 201X	\$12,070,345.10	0.5833%	5,980.20
			\$ 29,698.12

Over 5 months, this fund lost \$29,698.12 in interest that it would have earned if the money was invested in the PTIF

Summary of Useful Tips

- Establish time-frame/schedule of when to evaluate balances and invest/un-invest
 - Evaluate based on nature of fund and its activity
- Focus on significant amounts (determine what \$\$ threshold works for the fund)
- Monitor real-time balances in FINET (BBALD)
- Reconcile PTIF statements monthly
- Review FINET reports monthly (AM31)

Questions & Answers



Question #1

Agency XXX receives a payment of \$250,000 on January 5th. A CR is done to record the receipt in FINET on January 6th. On January 29th, Billie realizes that the \$250,000 should have been moved to the PTIF account so it could earn interest. What should she do?

- nothing – it's too late
- wait until Feb and then send a request to the Treasurer's office to invest the funds
- send a request to the Treasurer's office immediately with January 29th as the effective date
- send a request to the Treasurer's office using January 5th as the effective date

Question #2

Every quarter there is an appropriation transfer out of Fund 1234 for \$1,000,000. Bob is responsible for monitoring the cash in the fund. He is on vacation when the transfer is made during the first week of March. Fund 1234 has a negative cash balance for three weeks before he has a chance to move money from the PTIF account to cover the transfer. What should he do?

- send a request to the Treasurer's office to un-invest \$1,000,000 using March 1st as the effective date
- hope nobody notices the negative cash balance
- wait for Finance to send him a letter, then deal with it
- send a request to the Treasurer's office using March 31st as the effective date and wait for Finance to take back interest earned during the time his cash was negative.

Question #2

Timing of quarterly transfers: the 1st week of the 3rd month of each quarter

September
December
March
June

Who to contact?

- Treasurer's Office
 - Jason Nielsen – 801-538-1453
 - Fax – 801-538-1465
- Division of Finance
 - Deborah Memmott – 801-538-3171

Questions?

