

Managing Your Cash Flow

William D. Naylor, CIA, CFE, Associate Examiner
Division of Local Government and School Accountability



NYS COMPTROLLER
THOMAS P. DiNAPOLI

1

What is Cash Management?

- Includes any procedures and/or policies that help you control and account for cash.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

2

Statutes

- GML, Section 10 – Deposit of Public Moneys; Security
- GML, Section 11 – Temporary Investments
- GML, Section 39 – Investment Policies
- GML, Section 5-a – Electronic or Wire Transfers
- GML, Section 99-b – Check Images
- GML, Section 103, 104-b – Procurement



NYS COMPTROLLER
THOMAS P. DiNAPOLI

3

Cash Controls and Reporting Systems

- Objectives:
 - Cash receipts and disbursements are recorded timely;
 - Sufficient funds to meet operating and capital needs;
 - Facilitate prudent investment of idle funds.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

4

Accounting and Reporting Systems

- Help with managing cash flow.
- Help with investing idle funds.
- Include an accounting system for cash receipts and cash disbursements, investments and interest apportioning.
- Include a reconciliation reporting system for cash and investments.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

5

Collections

- Develop written collection procedures and ensure compliance
- Speed up collections
 - Timely invoicing.
 - Enforce late payment penalties.
 - Accept credit card payments.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

6

Deposits

- Develop written deposit procedures and ensure compliance.
- Ensure timely deposits.
 - Reduce deposit float (mail, administrative and clearing floats).
 - Lock box processing.
 - Bank collection of certain payments.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

7

Disbursements

- Develop written disbursement procedures and ensure compliance.
- Review timing of disbursements.
 - Analyze disbursement patterns.
 - Review types of disbursement accounts (e.g., controlled disbursing account).



NYS COMPTROLLER
THOMAS P. DiNAPOLI

8

What is Cash Flow Forecasting?

- A short-term forecasting tool.
 - Used by managers to estimate cash balances available for operations and investments.

	January	February	March	Etc.	Totals
Cash Inflows	\$75,000	\$50,000	\$15,000	\$30,000	\$170,000
Cash Outflows	\$40,000	\$65,000	\$20,000	\$35,000	\$160,000
Surplus/ (Deficit)	\$35,000	(\$15,000)	(\$5,000)	(\$5,000)	\$10,000

Beginning Cash Balance \$40,000					
Cumulative Total	\$75,000	\$60,000	\$55,000	\$50,000	



NYS COMPTROLLER
THOMAS P. DiNAPOLI

9

How Can Cash Flow Forecasting Help Me?

- They can help with:
 - Early warning signal
 - Investing
 - Short-term borrowing
 - Timing of procurement
 - Budgeting



NYS COMPTROLLER
THOMAS P. DiNAPOLI

10

How Sophisticated Should My Cash Flow Projections Be?

- Good forecasts can range from:
 - The simple informal method
 - to;
 - Formal cash flow projections



NYS COMPTROLLER
THOMAS P. DiNAPOLI

11

What is Right for My Municipality?

- Need formal cash projections if you have:
 - Unpredictable major revenues.
 - Periodic cash deficits.
 - Seasonable variations in revenues and/or payrolls.
 - Large capital projects or capital expenditures.
 - Low or not liquid fund balance levels.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

12

What is Right for My Municipality?

- Formal cash projections if:
 - Available cash balances allow you to invest at higher interest rates.
 - You invest in longer term investments (decreased liquidity).



NYS COMPTROLLER
THOMAS P. DiNAPOLI

13

Simple Cash Budgeting – Informal Method

- Matches Cash Receipts with Cash Disbursements and includes:
 - Focus on major periodic cash receipts and cash disbursements.
 - Invest in short-term investments.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

14

Formal Cash Flow Projections

- Need Three Major Components:
 - Time period.
 - Cash position.
 - Estimated cash receipts and cash disbursements.



Estimating Cash Receipts and Disbursements

- Consolidate bank accounts per fund
 - Make note of restricted and unrestricted cash accounts.
 - Focus on unrestricted cash.



Tools Needed for Estimates

- Include:
 - Prior year financial reports.
 - Bank statements.
 - Monthly financial reports (include C/R's, C/D's and Budget vs. Actual).



Tools Needed for Estimates (cont'd)

- Include:
 - Current year's budget.
 - Spending projections for capital projects (prepared by engineer or architect).
 - Capital purchase timing needs.
 - Current investment maturities.



Cash Receipt History Table

Property Taxes (do for each revenue)				
Week	2016	2017	2018	Average
1/7	1,170	1,080	1,240	1,160
1/14	32,170	35,460	36,920	34,850
1/21	59,680	60,120	61,240	60,340
	“ “	“ “	“ “	“ “
Annual Total	243,950	297,800	317,250	286,330



Estimating Cash Disbursements

- Include:
 - Payroll
 - Operating Disbursements
 - Debt Service
 - Capital Outlays



Projected Monthly C/Ds

Department				
Month	Object	Actual 2016	Actual 2017	Projected 2018
Jan.	Payroll .1			
	Equip .2			
	Other .4			
Feb.				



NYS COMPTROLLER
THOMAS P. DiNAPOLI

21

Cash Flow Forecast

Estimated Receipts				
Month	Jan	Feb	Etc.	Total
Taxes	XXXX	XXXX		XXXX
Estimated Disbursements				
Payroll	XXXX	XXXX		XXXX
Total Surplus*/ (Deficit)				

*Available for Investment.



NYS COMPTROLLER
THOMAS P. DiNAPOLI

22

GENERAL FUND (A)										ESTIMATED			Totals 20XX
Revenues	January	February	March	April	May	June	July	August	September	October	November	December	
Real Property Taxes	50,000	125,000	37,500	25,000	12,500								250,000
Interest and Penalties		19,250	10,500	3,500	1,750								35,000
Sales Tax			75,000			75,000			75,000			93,750	318,750
Court Fines and Fees	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	84,000
Clerk Fees	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Court Grant			15,000										15,000
Totals	58,000	152,250	146,000	36,500	22,250	83,000	8,000	8,000	83,000	8,000	8,000	101,750	714,750
Expenditures	January	February	March	April	May	June	July	August	September	October	November	December	Totals 20XX
Salaries and Benefits	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	480,000
Building Maintenance		5,000				12,500							17,500
Utilities	1,750	1,750	1,750	1,750	1,500	1,500	1,500	1,500	1,500	1,500	1,750	1,750	19,500
Computer Equipment	30,000												30,000
Clerk	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	25,200
Board	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Court	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	96,000
Court Capital Outlay					17,500								17,500
Totals	82,600	57,600	52,600	52,600	69,850	64,850	52,350	52,350	52,350	52,350	52,600	52,600	694,700
Surplus/ (Deficit)	-24,600	94,650	93,400	-16,100	-47,600	18,150	-44,350	-44,350	30,650	-44,350	-44,600	49,150	20,050

Estimating Fund Balance

- Start with fiscal year beginning fund balance.
 - Add actual revenues to date.
 - Subtract actual expenditures to date.
- This gives us current fund balance.
 - Add estimated revenues through FY end.
 - Subtract estimated expenditures through FY end.
- This gives us estimated fund balance year-end.



Estimating Fund Balance

Beginning Fund Balance	50,000
Year to Date Actuals:	
Revenues	150,000
Expenditures	(100,000)
Estimates to Year End:	
Revenues	50,000
Expenditures	<u>(60,000)</u>
Ending Fund Balance	90,000



NYS COMPTROLLER
THOMAS P. DiNAPOLI

25

Questions?

localtraining@osc.ny.gov



NYS COMPTROLLER
THOMAS P. DiNAPOLI

26