

CASH: BALANCES OF INDIVIDUAL FUNDS

I. INTRODUCTION

Cash that belongs to funds administered by the University of California is, with minor exceptions, maintained without fund identification in a single account entitled Treasurer's General Cash (see Accounting Manual chapter C-173, Cash). Under this method, the cash resources of any given fund may be temporarily overexpended, resulting in a negative or deficit position for that fund. When such an overexpenditure occurs, cash that belongs to other funds is used to cover the deficit, creating an unidentified and unauthorized interfund loan.

These unauthorized loans have a direct bearing on the University's investment income. Inactive cash balances are invested in the Short Term Investment Pool by the Treasurer, and the resultant earnings are credited back to the funds that provided the cash, unless otherwise designated by The Regents (see Accounting Manual chapter I-582, Investments and Investment Income). Therefore, any fund with a negative cash balance reduces the investment income earned by those funds in a positive position.

Because of the foregoing considerations, negative cash balances representing unauthorized loans between funds *must be held to an absolute minimum.*

II. PROCEDURES

A. BUSINESS-TYPE ACTIVITIES

Cash balances of all service enterprise funds (66000-66099), auxiliary enterprise funds (70000-74999), sales and services of educational activities funds (60000-62999 and 64000-65999), and their related reserve funds should be reviewed by accounting officers at least quarterly, including a preliminary, preclosing review in May of each year. The cash balance of a fund should be derived by constructing a balance sheet containing all the asset, liability, and equity items identified with that particular fund. If two or more funds relate to the same activity, they may be considered together. Any cash deficits in auxiliary or service enterprises as of June 30 must be covered by interfund loans, which are recorded in the ledger. Any cash deficits in sales and services of educational activities as of June 30

II. PROCEDURES (Cont.)

A. BUSINESS-TYPE ACTIVITIES (Cont.)

must be covered by interfund loans, which are recorded in the ledger or, if this is not possible, by operating plans (retained at the campus) that detail the procedure to be followed in eliminating the deficit during the following fiscal year.

Teaching hospital funds (63000-63999), except for veterinary medical teaching hospital funds administered by the Davis campus, are subject to special requirements and are not covered in this chapter. Veterinary medical teaching hospital funds should be reviewed in the manner established for sales and services of educational activities funds.

B. ALL OTHER FUNDS

A review of cash balances in all other funds should be made annually. In addition, the funds should be reviewed during fiscal closing. To derive the cash balance of a fund, a balance sheet containing all the asset, liability, and equity items identified with that particular fund should be constructed. For the purposes of this analysis, all Federal funds may be considered as a single fund. Any cash deficits as of June 30 must be covered by interfund loans, which are recorded in the ledger or, if this is not possible, by operating plans, retained at the campus, that detail the method to be followed in eliminating the deficit during the following fiscal year.

III. RESPONSIBILITIES

Any problems encountered by departments in covering June 30 cash deficits should be reported to the campus accounting office by September 30 of each year.

Historical Note: Original Accounting Manual chapter published 7/1/71. Revised 3/31/95; analyst--Gayle Tapscott.