

Subject: Cash and Cash Equivalents	Author: Anne Rademaker
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Background:

The current reporting model requires classification of the Statement of Net Assets into current and non-current assets and liabilities. In addition, requirements for classifying investments are specified for the following categories:

- Cash and Cash Equivalents
- Short Term Investments
- Long Term Investments

This document establishes University policy for identifying and classifying investments into the required categories for financial statement presentation.

Definitions

(per GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting):

Cash and Cash Equivalent – Cash equivalents are defined as short-term, highly liquid investments that are both a) readily convertible to known amounts of cash and b) so near their maturity date that they present insignificant risk of changes in value because of changes in interest rates. Generally only investments with original maturities of three months or less meet this definition. Examples of items commonly considered to be cash equivalents are Treasury bills, commercial paper, certificates of deposit, money market funds, and cash management investment pools. Cash purchases and sales of those types of investments generally are part of the entity's cash management activities rather than part of its operating, capital, investing, and financing activities, and details of those transactions should not be reported in a statement of cash flows.

Short Term Investment – Investments with original maturities of over three months, maturing during the next fiscal year will be considered short term or current.

Long Term Investment – Investments that do not meet the criteria for cash equivalent or short-term investments will be considered non-current or long term.

Restricted Cash and Cash Equivalents – The University classifies all cash designated for construction and other capital asset purposes as restricted cash and cash equivalents.

Process:

The process for classifying investments follows for each pool:

- Cash and money market funds held in the University's custodial bank account are included with Cash and Cash Equivalents.
- Cash, cash in transit, university money market funds, securities lending cash collateral, change and revolving funds, and repurchase agreements are included with Cash and Cash Equivalents.
- All investments, including cash and money market funds, held by external managers will be considered non-current or long term regardless of individual asset maturities. Because managers buy/sell/trade daily, any cash or money market funding that results is temporary and will be reinvested. The University does not intend to withdraw funds from managers' portfolios – having placed the funds with a long-term investment intention.
- Investment holdings will be individually reviewed and classified according to maturity date as of the end of the fiscal year.

Accounting for investments is one of the more complex accounting issues facing the University. Circumstances and special situations may arise that require the use of professional judgment in applying this policy.

Accounting Entries:

The Treasury department is responsible for the analysis of cash and cash equivalents and short and long-term investments as described in this policy. This department also is responsible for reconciling manager portfolios and preparing any necessary accrual entries at year end. Generally, the information required by this policy will be updated monthly through the reconciliation process.