

City of Bryan Financial Management Policy Statement Checklist
Fiscal Year 2016 Reporting Cycle

Major Policy Topic

The Financial Management Policy Statements will be reviewed and approved by Council at a minimum of every two years.

A Financial Management Policy Compliance checklist will be completed annually by the City Internal Auditor and the results will be reported to the Audit Committee. The Financial Management Policies are guidelines, and occasionally exceptions may be appropriate and required.

Exceptions to stated policies will be specifically identified and explained to the City Manager and City Council.

	Policy Description	Compliance	Description of Compliance/Documentation	Documentation Reference	Corrective Action needed
I. Accounting, Auditing & Financial Reporting					
I.A.	Accounting Practices and Principles - The City will maintain practices that conform to GAAP as set forth by GASB. All financial documents will conform to these standards except for monthly interim financial statements. Monthly financial statements will be prepared on an as budgeted basis.	Yes	Comprehensive Annual Financial Report (CAFR) has been audited by Weaver, LLP. Unmodified opinion received for the year ended 9/30/2016	Fiscal Services page - link to CAFR.	None
I.B.	Financial and Management Reports - Interim Financial Reports will be provided monthly to management and the City Council that note significant deviations from the budget. These reports will be reviewed monthly with the City Manager and provided to City Council by the end of each month for the prior month. A quarterly report will be prepared based on these documents and will be presented to the Audit Committee for their review.	Yes	During FY 2016 Monthly Financial Reports were prepared for each month and distributed to the City Manager and direct reports. Quarterly reports were also prepared and presented to the Audit Committee.	Fiscal Services page - link to quarterly reports.	None
I.C.	Annual Audit - Pursuant to State Statute, the City shall have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The audit shall be performed by a certified public accounting (CPA) firm, licensed to practice in the State of Texas. The audit firm shall provide a management letter to the City prior to the filing of the audit. The audit firm shall also provide a Single Audit of Federal and State grants, when necessary. An official Comprehensive Annual Financial Report (CAFR) shall be issued no later than 180 days following the end of the fiscal year.	Yes	Annual financial statement audit performed for FY 2016 by Weaver, LLP.	Fiscal Services page - link to CAFR.	None
I.D.	Annual Financial Disclosure - As required by the Securities and Exchange Commission (SEC) Rule 15c2-12, the City, with support of the City's financial advisor and bond counsel, will provide certain annual financial information to various information repositories through disclosure documents or set of documents that include the necessary information. This will include any material event notices to be filed as required by relevant regulations.	Yes	Financial Disclosures are included in the statistical section of the CAFR. Filing is completed on the Municipal Securities Rulemaking Board (MSRB) portal Electronic Municipal Market Access (EMMA) and filed with TXDOT and TX DPS offices.		
I.E.	Signature of Checks - All checks shall have two signatures. Two persons shall be authorized to sign checks: the Mayor and the Chief Financial Officer. Signatures shall be affixed to all City checks via facsimile signatures, made with a secure laser check printing system or through handwritten signatures affixed to each check.	Yes	Check writing software requires two digital signatures in order to complete the check-writing process. No manual checks are permitted or available.	Check reports	None
II. Financial Consultants					
II.A. (1-3)	Selection of Auditors - Every five years the City shall request proposals from qualified accounting firms. The Audit Committee shall select an independent firm of CPA's to perform an annual audit of the accounts and records and render an opinion on the financial statements of the City. It is the City's preference to change audit firms every five years. An annual engagement letter will be provided to the City.	Yes	In FY 2014 the City issued RFQ 14-038. The contract expires in July 2019 assuming Council accepts the optional 2 one year extensions in July 2017 and July 2018. Engagement letter for FY 2016 was provided.	RFQ 14-038	None
II.B.	Arbitrage - The City will contract with a firm to provide arbitrage calculation and reporting services. The City shall request qualifications from qualified firms every five years.	Yes	In FY 2014 the City issued RFQ 14-017. The contract expires in February 2019 assuming Council accepts the optional one year extension in February 2018.	RFQ 14-017 Engagement Letter- Copy	None
II.C. (1)	Bond Counsel - Because of the specialized nature of the services provided, the City shall always engage bond counsel when issuing debt. Contract shall be considered "evergreen" with a termination clause.	Yes	Debt issued in FY 2016 - Andrews Kurth engaged to represent the City. Contract is in good standing.	OS for FY 2016 Debt issues	None

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II.D. (1)	Financial Advisory Services - This service will provide needed guidance and expertise for the City's debt financing, etc. Requests for qualifications of qualified financial advisory firms will be issued every five years.	Yes	In FY 2011 the City issued RFP 11-049. The contract expired in FY 16 and the City issued RFP 17-010. Specialized Public Finance was chosen to continue representing the City.	RFP 11-049; RFP 17-010	None
II.E.	Depository Bank - Pursuant to State Law, the City may approve a depository services agreement with a term not to exceed 5 years. There is no requirement for rotation. The City will submit requests for application every 5 years.	Yes	In FY 2013 RFA 13-019 was submitted and Citibank was the winning application. Subsequently Citibank was purchased by BB&T, the City's current depository services bank. A new RFA is scheduled to be released prior to the current contract expiration of March 2018.	RFA 13-019	None

III. Budget and Long Range Financial Planning

III. B., C., D., E., F., &G.	Balanced Budget - The City Manager shall propose annually a structurally balanced budget for the ensuing fiscal year to the City Council. A structurally balanced budget for the purposes of this document is a budget where recurring revenues are used to fund recurring expenditures with adherence to both minimum and target fund balance policies. Short term loans are to be avoided as budget balancing techniques. Non-recurring expenditures may be funded with either recurring or non-recurring revenues or fund balance.	Yes	During the budget presentation to Council, the Fiscal Services department will provide information to illustrate that the GF and other appropriate funds are structurally balanced.	Council Presentations	None
III. H.	Performance, Merit Pool, and Civil Service Step Increases - The annual budget shall include an amount adequate to cover an overall average performance and merit pool, including appropriate step increases for Police and Fire. Increase percentage should be based on current market surveys.	Yes	Annual average increase for FY 2016 3.5% with 2% included for pay scale/pay range adjustments across City departments. Increased based on market study performed by HR.	Council Presentations	None
III. I. (2&3)	Budget Preparation - The City will prepare a Base Budget consisting of expenditures supporting current levels of service. Increases to staffing or levels of service will be budgeted through Budget Decision Packages which must be fully justified and reviewed separately. Annually, the City will seek to obtain the Government Finance Officers Associate Distinguished Budget Presentation Award. The Budget will be presented in a way that not only meets the criteria of the award, but also clearly communicates the budget to the public.	Yes	DP's are approved through the budget process. Award was received for the FY16 budget.	FY 2017 Budget	None
III. J.	Budget Management - All unbudgeted transfers between funds or amendments increasing annual expenditures must be approved by City Council. Expenditures should not exceed the adopted budget, including budget amendments approved by the City Council.	No	See CAFR note 24 - Expenditures in excess of appropriations Court technology fund - over budget by \$1,915; TIRZ 19 Nash - over budget by \$8,675	Link to CAFR	Court Technology fund was over budget due to data line expenses. TIRZ 19 was over budget due to a misallocation of debt service for 2013 GO Refunding. This was corrected in FY 2016 but the budget was not amended.

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III. K. (1-3)	Long-Range Financial Plans - The city will develop and maintain a five-year financial forecast for each major operating fund in conjunction with the annual budget process. (i.e.: General Fund, Debt Service Fund, Enterprise Funds, Special Revenue Funds and Internal Funds) The forecast should enable current services and levels provided to be sustained over the forecast period. Operating impacts from completed capital improvement projects in the City's five-year CIP, commitments and obligations already made that require future financial resources and identifying the impact of property taxes and utility rates should all be included in the forecast.	Yes	Budget preparation work papers and budget document contain five year forecasts for CIP. GF, EF, and ISF's are done during the budget preparation process.	See network folders for various forecasts.	None

IV. Revenues and Other Resources

IV. C. (1-3)	Revenue Collections - The City shall contract for collection of outstanding receivables when it makes economic sense to do so. Utility write-offs will be recorded on accounts outstanding for 2 years, identified as uncollectible, where all attempts to collect have been taken. The write-off of uncollected accounts is a bookkeeping entry only and does not release the debtor from any debt owed to the City. The City shall estimate uncollectible accounts through an allowance for doubtful accounts in each fund with receivables.	Yes	The City has contracted with MVBA for Ambulance and Court receivables (and are available for other receivable collections upon request). BTU Customer Service group performs extensive collection efforts in house and has maintained (and improved) acceptable collection rates historically. Additionally part of the annual audit is the measurement by the outside firm of the reasonableness of our uncollectible amounts.	Contracts with MVBA and annual audit work papers (PBC)	None
IV. D. (2)(a-d)	User Fees - Utility rates and other fund user fees shall be set at levels sufficient to cover operating expenditures (direct and indirect), meet debt obligations and debt service coverage, provide pay-as-you-go funding for capital improvements, funding of the General Funds Transfer, and provide adequate levels of working capital. The City shall seek to eliminate all forms of subsidization between the General Fund and Enterprise Funds. The Five-Year Financial Plan shall serve as the basis for rate change considerations. If rate increases are necessary, the Five-Year Financial Plan shall be built around smaller rate increases annually versus higher rate increases periodically.	Yes	Periodically BTU City and BTU Rural, Water, Wastewater, and Solid waste contract with consultants to perform rate setting studies for appropriateness in recovering expenditures.	Various rate studies performed	None

V. Capital Expenditures and Improvements

V. A.	Capitalization Threshold for Tangible Capital Assets - Tangible capital items should be capitalized only if they have an estimated useful life of at least one year following the date of acquisition or significantly extend the useful life of the existing asset and cannot be consumed, unduly altered, or materially reduced in value immediately by use and has a cost of not less than \$5,000 for any individual item. The capitalization threshold of \$5,000 will be applied to individual items rather than to a group of similar items, (i.e.: desks, chairs, etc.)	Yes	The City's auditor performs testing to verify our controls are appropriate to adhere to this policy. Additionally, monthly review of all capital expenditures is performed in Fiscal Services	Annual audit work papers, monthly reports.	None
V. C.	Replacement of Capital Assets on a Regular Schedule (Fleet and Technology) - The City shall annually review a schedule for the replacement of its fleet and technology capital assets. Within the resources available each fiscal year, the City shall replace these assets according to needs.	Yes	During the budget process Fleet, in conjunction with Dept. manager for Solid Waste, review the City's Fleet and prioritize the vehicles that need to be replaced as well as producing a five-year forecast for fleet replacement. Also during the budget process (and throughout the year) the IT department has an extensive technology replacement plan that is reviewed and updated.	IT Replacement plan (see IT) and Fleet VRP submitted during the Budget process.	None

VI. Fund Balances

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VI. D.	General Fund Unassigned Fund Balance - Minimum Unassigned Fund Balance - The City shall maintain the General Fund unassigned fund balance at a minimum level equivalent to 60 day of recurring, budgeted operating expenditures in the five year forecast. Target Unassigned Fund Balance - Because the city is subject to unplanned fluctuations in revenues and expenditures a targeted fund balance of 100 days has been established. The annual budget should be set at a level that produces the target level of unassigned fund balance by the end of the five year forecast.	Yes	Audited financials in the CAFR. For FY 2016 ending unassigned fund balance was 115 days of cash. Average ending fund balance over five year forecast is 112 days.	See FY 2016 CAFR	None
VI. E.	Water, Waste Water, Solid Waste and Airport Funds Unrestricted Cash Balance - The City shall maintain the Water, Waste Water, Solid Waste and Airport Funds unrestricted cash balance at a level that ensures that an equivalent to 60 days of recurring, budgeted operating expenditures is maintained in the five year forecast.	Yes	Water: For FY 2016 ending unassigned fund balance was 323 days of cash. Average ending fund balance over five year forecast is 385 days. Wastewater: For FY 2016 ending unassigned fund balance was 559 days of cash. Average ending fund balance over five year forecast is 219 days. Solid Waste: For FY 2016 ending unassigned fund balance was 292 days of cash. Average ending fund balance over five year forecast is 233 days. Airport: For FY 2016 ending unassigned fund balance was 1,157 days of cash. Average ending fund balance over five year forecast is 88 days.	See Pro forma financials	None
VI. F.	BTU City Fund Unrestricted Cash Balance - Minimum Unrestricted Cash Balance - Will be maintained at a minimum of 90 days of the current year's operating expenditure budget. Target Unrestricted Cash Balance - Because BTU is subject to unexpected changes in energy costs, revenues, and expenditures, a targeted unrestricted cash balance is set at 110 days of the current year's operating expenditure budget. The annual budget should be set at a level that produces the target level of unrestricted cash by the end of the five year forecast.	Yes	Audited financials in the CAFR. For FY 2016 ending unassigned fund balance was 112 days of cash. Average ending fund balance over five year forecast is 178 days.	See FY 2016 CAFR	None
VI. G.	BTU Rural Fund Unrestricted Cash Balance - Minimum Unrestricted Cash Balance - Will be maintained at a minimum of 45 days of the current year's operating expenditure budget.	Yes	Cash - \$6,277,122 (45 days - \$4,649,381)	Fiscal Services page - link	None
VI. H.	TIRZ Funds Unassigned Fund Balance - Target Unassigned Fund Balance - Because TIRZ funds generally have minimal operating expenses other than debt service, the City shall target an unassigned fund balance of no less than \$50,000 in each TIRZ fund, rather than as a percent of operating expenses. Budgeting should consider future debt service levels in setting current and future funding levels.	Yes	FY 2016 Ending balances: TIRZ 10, \$208,627; TIRZ 19, \$52,379; TIRZ 21, \$322,304; TIRZ 22, \$164,605	See Budget document	None
VI. I.	Self-Insurance Fund Unassigned Fund Balance - Target Unassigned Fund Balance - The City shall target an unassigned fund balance of 90 days of the current year's budgeted expenditures.	Yes	FY16 Budgeted expenditures: \$2,594,924 90 Days = \$648,731 Ending Unrestricted Fund Balance: \$726,151	See Budget document	None
VI. I.	Employee Benefits Fund Unrestricted Fund Balance - Target Unassigned Fund Balance - The City shall target an unassigned fund balance of 90 days of the current year's budgeted expenditures.	No	FY16 Budgeted expenditures: \$9,191,056 90 Days = \$2,297,764 Ending Unrestricted Fund Balance: \$1,468,846	See Budget document	Plan is to reach 90 days over next 5 years
VI. K.	Debt Service Fund Balance - The City shall maintain the minimum debt service fund balance at 1 month of annual debt service requirements.	Yes	FY16 Debt Service Requirements: \$11,393,516 1 Month = \$949,460 Ending Fund Balance: \$2,381,460	See Budget document	None

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VI. L.	All Other City Funds Unassigned Fund Balance/Unrestricted Cash Balance - All other funds do not have a stated minimum unassigned fund balances/unrestricted cash balances but rather are monitored on a monthly basis. A balance sufficient to meet budgeted expenditures will be maintained in all funds.	Yes	All other funds had sufficient funds to maintain service levels.	See Budget document	None

VII. Debt

VII. B. (2)	Debt Financing - Debt Capacity - The City shall complete an annual debt capacity assessment to ensure that proposed debt is affordable and contributes to the financial strength of the City. The debt capacity is the upper limit on the dollar amount of capital improvements that the City can afford to fund from debt. Debt capacity calculations for long-term planning shall assume market rates for the average annual interest costs at the time the capacity is determined. The analysis shall not assume future refunding of any outstanding bonds and shall consider both debt service requirements on current and proposed debt. <u>Property tax supported debt</u> , maximum capacity shall be determined by an amount of annual debt service that the City can absorb within the proposed tax rate allocation for debt based on assumed growth in assessed valuation. <u>Revenue debt</u> , maximum capacity shall be determined by the amount of annual debt service that the City can absorb within a proposed rate structure that has been reviewed with City Council and which can support the proposed debt within the additional bonds test as defined in the revenue bond covenants. The City shall not exceed debt capacity as defined through bond covenants or fall below bond coverage ratios for additional revenue bonds.	Yes	Debt capacity work papers are updated on an ongoing basis several times during the year (Budget process, CIP approval and review, during debt issuance). All debt issues are presented to City Council in conjunction with debt capacity presentations including forecasting through the life of current debt requirements	Various presentations and work papers.	None
VII. C.	Debt Coverage Ratios - The Debt Coverage Ratio is the ratio of New Revenue Available for Debt Service to Debt Annual Service cost. Debt Coverage Ratios shall be maintained at: <u>BTU City Electric</u> - Minimum 1.1, <u>BTU Rural Electric</u> - Minimum 1.2, <u>Water & Wastewater</u> - Minimum 1.25. Target ratio for all is 2.0.	Yes	FY16 CAFR RW-9 - Water & Wastewater 3.37 RER-5 - BTU Rural 5.34 REC-6 - BTU City 3.43	Fiscal Services page - link	None
VII. D.	Debt Reserve Fund - Debt service reserves should be maintained for each bond issue as required by bond covenants.	Yes	Debt reserves are calculated annually and at the time of a new debt issue requiring debt reserves.	Email with reserve calculations and Audit	None
VII. E.	Continuing Financial Disclosure related to Debt - The covenants related to debt require continual annual disclosure of specific financial information about the City. Required annual disclosure information will be posted to the Electronic Municipal Market Access (EMMA) website and as a supplement to the City's annual CAFR document.	Yes	All disclosures contained in the official statements that are required to be produced every year are reproduced and updated in the Statistical Section of the annual CAFR. Additionally, the MSRB reporting portal, EMMA, is updated every year with the CAFR containing the appropriate financial debt disclosures.	See FY 2016 CAFR	None
VII. G. (1-4)	Debt Structures - The City shall normally issue bonds with a life not to exceed 25 years for general obligation and 25 years for revenue bonds, but in no case longer than the useful life of the asset. The City shall seek level or declining debt repayment schedules and shall seek to retire 50% of the total principal outstanding within 10 years of the year of issuance. There shall always be at least interest paid in the first fiscal year after a bond sale and principal payments starting generally no later than the second fiscal year after the bond issue. Normally, there shall be no capitalized interest included in the debt structure except for debt issuances reimbursing developers for infrastructure, which shall not exceed 2 years of capitalized interest.	No	The wording of this policy needs to be revisited. It is generally not possible to have level principal payments and has not been the way the City has issued debt in the past. This will be reviewed and brought to City Council for revision.	See FY 2016 CAFR	Policy language needs to be revised and submitted to Council for approval.

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VII. H.	Debt Refunding - The City's financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the new present value savings of a particular refunding should exceed 3.0% of the refunded maturities unless (1) a debt restructuring is necessary or (2) bond covenant revisions are necessary to facilitate the ability to provide services or to issue additional debt.	Yes	BTU -City: 15.875% BTU Rural: 14.369% COB-GO: 13.116%	See "Debt Service Comparison" page in the final numbers for all 2016 debt issuances.	None
VII. I.	Sale Process - The City shall use a competitive bidding process in the sale of debt unless the nature of the issue warrants a negotiated sale. The City will utilize a negotiated process when the issue is, or contains, a refinancing that is dependent on market/interest rate timing. The city shall award the bonds based on a true interest cost (TIC) basis. However, the City may award bonds based on a net interest cost (NIC) basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid.	Yes	The City's Financial Advisor ("FA") conducts research and advises the City on the most cost effective way to issue debt for the City. Each issue is evaluated and a determination is made based on the current economic environment.	Presentations by Specialized Public Finance, the City's FA.	None

VIII. Cash Management/Investments

VIII.	Cash Management/Investments - The City's investment policy is governed by a separate resolution. It is the policy of the COB to invest public funds in a manner that will ensure the preservation of capital, meet daily cash flow demands, conform to all applicable State and Local statutes governing the investment of public funds, and provide reasonable investment returns. A checklist of Investment Limits is included in the Quarterly Reporting Package.	Yes	The City Council, through the appointment of the Investment Committee, annually adopts an investment policy that conforms with state and local requirements.	Fiscal Services page - link to Investment Committee reports.	None
VIII. X.	Economic Development Agreements - The City shall monitor compliance with the terms of all economic development agreements and report the compliance status to City Council at least annually.	Yes	Confirmed with Economic Development - ongoing monitoring		None