

City of Bryan Financial Management Policy Statement Checklist
Fiscal Year 2019 Reporting Cycle

By Major Policy Topic

The Financial Management Policy Statements will be reviewed and approved by Council at a minimum of every two years. The last amendment was adopted by City Council on February 11, 2020.

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
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 BKD, LLP. Unmodified opinion received for the year ended 9/30/2019.	FY2019 CAFR, Independent Auditor's Report via Fiscal Services webpage	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.	No	During FY 2019, Monthly Financial Reports were prepared for each month and distributed to the City Council, the City Manager, and management. FY2019 Q4 financial report not yet included on Fiscal Services webpage. Quarterly reports were also prepared and presented to the Audit Committee.	FY2019 quarterly reports via Fiscal Services webpage	Due to COVID-19 restrictions, there was a delay in audit committee meetings from January through April. By the time they met, the FY2019 CAFR was ready to present as well as FY2020 Q2 reports. Presentation of FY2019 Q4 and FY2020 Q1 would be redundant to present at the same meeting.
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.	No	The annual financial statement audit was performed for FY2019 by BKD, LLP. The FY2019 CAFR was not issued within 180 days from fiscal year-end primarily due to staff turnover and COVID-19 restrictions. The auditor's report was presented on April 23, 2020.	FY2019 CAFR, Independent Auditor's Report, via Fiscal Services webpage	The change in FY2020 includes increased interim testing and audit planning. The City has taken steps to improve planning and staffing for FY2020 to ensure compliance in future years.

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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 FY2019 CAFR. On 3/30/2020, interim filing was completed on the Municipal Securities Rulemaking Board (MSRB) portal Electronic Municipal Market Access (EMMA) and filed with TXDOT and TX DPS offices using unaudited financial statements. Audited financial statements were filed on 4/24/2020. Other disclosures via EMMA during the period included BTU rating upgrades by Fitch and S&P in November 2018 and the elimination of BTU ratings by Moody's Investor Services in November 2018 and January 2019.	https://emma.msrb.org	None
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	The City's check writing software requires two digital signatures in order to complete the check-writing process. No manual checks were permitted or available during FY 2019.	Check reports	None

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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 expired in July 2019. An engagement letter for FY 2019 was provided. During FY 2019 the City issued RFQ #19-018 for Professional Auditor Services. Responses were received and BKD was selected as the City's external audit firm for FY 2019. The initial contract is for a three year term with two possible one year extensions.	RFQ 14-038/RFQ 19-018	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 February 2019 the City issued RFP #019-020 for Arbitrage Services. BLX Group, a subsidiary of Orrick, was selected as the arbitrage vendor for FY 2019. The initial contract is for a three year term with two possible one year extensions.	RFP 019-020	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	Orrick, Herrington & Sutcliffe LLP was engaged as the City's Bond Counsel in FY 2018. The contract terms were one year with four possible one year extensions. This contract continues to be in good standing.	RFQ #18-023 (included as exhibit in signed contract)	None
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 2017 the City issued RFP 17-010. Specialized Public Finance was chosen to continue representing the City. This contract continues to be in good standing.	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 2017 RFA 17-036 was submitted for applications. Several banks responded with BB&T being selected as the best value for the City. The contract is effective March 2018 and is a three year contract with two possible one year extensions. This contract continues to be in good standing.	RFA 17-036	None

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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 presentations to Council, the Fiscal Services department provided information to illustrate that the GF and other appropriate funds were structurally balanced.	2019-07-09 budget presentation to City Council	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	The annual average compensation increase for FY 2019 was 3.0% with amounts included for separate Fire and Police adjustments. The City's Human Resources department conducts and participates in various job-specific surveys throughout the year in order to recommend compensation increases.	2019-07-09 budget presentation to City Council; discussion w/ HR	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 Association 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	Decision Packages were approved through the budget process. The award was received for the FY18 and FY19 budgets.	DPS - FY2019 Budget Awards - FY2019 and 2020 Budgets via fiscal services webpage.	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.	Yes	General Fund expenditures for FY 2019 were under appropriations by 3.05%. A budget amendment for FY2019 was approved by City Council.	FY2019 CAFR via Fiscal Services webpage; City Council minutes via City of Bryan homepage	None
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 Service 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	The annual budget preparation work papers and the budget document contained five year forecasts for the Capital Improvement Program (CIP), the General Fund, all Enterprise Funds, and all Internal Service Funds except the Warehouse. The Warehouse operates on a "break-even" basis and was monitored on a monthly basis for a sufficient balance to continue operations.	2019-07-09 budget presentation to City Council	None

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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 contracted with MVBA for delinquent Ambulance and Court receivables (and were available for other receivable collections upon request). The BTU Customer Service group performed collection efforts in-house and maintained (and improved) acceptable collection rates historically. Additionally part of the annual audit measured the reasonableness of our uncollectible amounts.	Contracts with MVBA and annual audit work papers (Sch. 35).	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.	No rate studies were performed in FY2019.	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 external auditor performed testing to verify our controls are appropriate to adhere to this policy. Additionally, a monthly review of all capital expenditures was performed by Fiscal Services staff.	Capitalization policy, annual audit work papers, monthly financial 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, the Fleet department, in conjunction with the department manager for Solid Waste, reviewed the City's Fleet and prioritized the vehicles that needed to be replaced as well as produced a five-year forecast for fleet replacement. Also, during the budget process (and throughout the year), the IT department reviewed the technology replacement plan and made updates and budget requests as needed. The funding for both the fleet and I.T. replacement plans is approved through the D.P. process.	IT Replacement plan and Fleet VRP submitted during the Budget process.	None

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VI. Fund Balances				
VI. D.	No	For FY 2019, ending unassigned fund balance was 112 days of cash. The average ending fund balance over the five year forecast was 94 days. General Fund forecasts were discussed with City Council at the July 9, 2019 budget presentation, and the shortfall was explained. In 2013 Council decided to increase Public Safety staffing. The General Fund 10 year forecast projects the General Fund at 102 days by 2027.	2019-07-09 budget presentation to City Council; FY2019 CAFR via Fiscal Services website	The General Fund 10 year forecast projects the General Fund at 102 days by 2027. This balance will be closely monitored for compliance with this policy.
VI. E.	No	Airport: For FY 2019 the ending unrestricted cash balance was 20 days of cash. All other funds in this section are compliant with the policy. The forecasts for these funds were discussed with City Council at the July 9, 2019 budget presentation.	2019-07-09 budget presentation to City Council; FY2020 Adopted Budget and 2019 CAFR via Fiscal Services website	Airport unrestricted cash balances will be closely monitored for compliance with this policy. Cash balances for the Airport fund will be addressed during the FY2021 budget process, and, if necessary, a transfer will be proposed from the General Fund.
VI. F.	Yes	For FY2019, the ending unrestricted cash balance was 239 days.	FY2020 Adopted Budget and FY2019 CAFR via Fiscal Services website	None

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	Policy Description	Compliance	Description of Compliance/Documentation	Documentation Reference	Corrective Action
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. Target Unrestricted Cash Balance - Because BTU Rural is subject to unexpected changes in energy costs, revenues, and expenditures, a targeted unrestricted cash balance is set at 60 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	For FY2019, the ending unrestricted cash balance was 177 days.	FY2020 Adopted Budget and FY2019 CAFR via Fiscal Services website	None

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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 2019 ending balances: TIRZ 10, \$347,896; TIRZ 19, \$367,804; TIRZ 21, \$435,122; TIRZ 22 North = \$59,415; TIRZ 22 Target = \$63,047	FY2019 CAFR via Fiscal Services website	None
VI. I.	Self-Insurance Fund Unassigned Fund Balance - Target Unassigned Fund Balance - The City shall target a minimum unassigned fund balance equal to the stop-loss deductible for the City's excess worker's compensation and liability policy.	Yes	FY 2020 Stop-loss deductible: \$2,250,000 FY 2019 Ending Unrestricted Operating Fund Balance: \$3,538,647	FY2020 Adopted Budget and FY2019 CAFR via Fiscal Services website	None
VI. I.	Employee Benefits Fund Unrestricted Fund Balance - Target Unassigned Fund Balance - The City shall target an unassigned fund balance of 30 days of the current year's budgeted expenditures.	No	FY20 Budgeted expenditures: \$13,211,000 30 Days = \$1,041,417 FY 2019 Ending Unrestricted Fund Balance = \$540 This fund balance was discussed with City Council at the July 9, 2019 budget presentation.	2019-07-09 budget presentation to City Council; FY2020 Adopted Budget and 2019 CAFR via Fiscal Services website	The most recent five year forecast projects this balance to be at 33 days in the final year of the forecast (FY2024). The health benefits rates for employees and the City contribution have been adjusted and this fund will be closely monitored for compliance.
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	FY20 Debt Service Requirements: \$10,805,000 1 Month = \$900,417 FY 2019 Ending Fund Balance = \$1,666,830	FY2020 Adopted Budget and 2019 CAFR via Fiscal Services website	None
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, 2019 monthly financial reports	None

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VII. Debt					
VII. B. (2)	<p>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.</p>	Yes	Debt capacity work papers were updated several times during the year (Budget process, CIP approval and review, during debt issuance). All debt issues were presented to City Council in conjunction with debt capacity presentations including forecasting through the life of existing debt requirements.	Various presentations and work papers (EX: Sch. 86)	None
VII. C.	<p>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.</p>	Yes	Table RW-9 - Water & Wastewater 6.66 Table RER-5 - BTU Rural 7.03 Table REC-6 - BTU City 6.67	FY2019 CAFR via Fiscal Services webpage	None
VII. D.	<p>Debt Reserve Fund - Debt service reserves should be maintained for each bond issue as required by bond covenants.</p>	Yes	Debt reserves are calculated annually and at the time of a new debt issue requiring debt reserves.	Audit workpapers (Sch. 86)	None
VII. E.	<p>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.</p>	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. An unaudited FY2019 CAFR was filed on EMMA on 3/30/2020, and the audited FY2019 CAFR was filed on 4/24/2020.	FY2019 CAFR via Fiscal Services webpage; https://emma.msrb.org	None

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VII. G. (1-4)	Debt Structures - 1.) 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. 2.) The City shall seek level or declining debt repayment schedules. 3.) 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. 4.) 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.	Yes	All debt outstanding in FY2019 for the City of Bryan, including BTU, meets the criteria listed in this policy. In FY2020, following approval by City Council, 30 year bonds were issued for the Travis Bryan Midtown Park.	FY2019 CAFR via Fiscal Services webpage, Disclosures and Statistical sections	None
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 net 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	During FY2019, the 2009 WW&SS Revenue Refunding bonds were refinanced with 2019 WW&SS Revenue bonds. The net Present Value of the savings on this refinancing was 11.703%; the true interest cost (TIC) of the refunding bonds was 1.6145%; the total debt service savings for these refunding bonds was \$570,203 w/ a net present value savings of \$502,120. Also during FY2019, the 2009 CO bonds were refinanced with 2019 GO Refunding bonds. The net Present value of the savings on this refinancing was 13.444%; the TIC of the refunding bonds is 1.5381%; the total debt service savings for these refunding bonds was \$725,405 with a net present value savings of \$652,184.	Debt refundings documents	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	No new debt issuances in FY2019.	N/A	None

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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, adopted an investment policy that conforms with state and local requirements.	Link to Quarterly Investment Committee Reports via Financial Transparency section of Fiscal Services webpage.	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	Fiscal department meets w/ Economic Development quarterly to discuss upcoming agreements and incentives.	Quarterly department budget meetings	None