City of Colleyville
Audit Committee
Agenda

City Hall
100 Main Street
Colleyville, Texas 76034
817. 503.1000
www.colleyville.com

Tuesday, May 13, 2014 — City Manager's Conference Room
5:00 p.m. — Third Floor – City Hall

1. CALL TO ORDER

2. PRESENTATION AND DISCUSSION

2a Presentation of the Quarterly Investment report

2b Review of the General and Utility Fund Balance policy

3. ADJOURNMENT

I hereby certify this agenda was posted on City Hall bulletin boards Friday, May 9, 2014, *by 5:00 p.m.*

Terry Leake
Assistant City Manager and Chief Financial Officer

A quorum of the Colleyville City Council may be in attendance at this meeting.

Any matter on this agenda may, at the discretion of the governing body, be opened for public comment and discussion.

If you plan to attend this public meeting and have a disability that requires special accommodations, please advise Executive Secretary at least 48 hours in advance at 817.503.1111, and reasonable accommodations will be made to assist you.

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
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Agenda Number 2a **Agenda Date** 05/13/2014 **Number**
Type Presentation and Discussion
Department City Manager

Title
Presentation of the Quarterly Investment report

Explanation
During the period of January 1, 2014 through March 31, 2014, the City of Colleyville had an average of $49,456,289 invested on a daily basis, which earned $23,330, with an average yield of 0.19%. The average yield on investments for this quarter is .01% lower than the prior quarter's average of 0.20%. As of March 31, 2014, the City had $50,191,493 invested in the LOGIC Investment Pool, CDARS Certificates of Deposit, and various debt instruments in the following percentages:

Logic	47.45%	FFCB Notes	22.51%
FHLB Notes	17.43%	CDARS CD’s	10.02%
Treasury Note	2.59%		

These percentages are within the guidelines for portfolio diversification in the City's investment policy. The market value of the City's investments on March 31, 2014 was $21,392,578 as compared to a purchase price of $21,400,073 (this excludes LOGIC Investment Pool and CDARS Certificates of Deposit). The Colleyville Economic Development Corporation currently holds a Treasury Note ($500,000) with a market value of $500,449 and a purchase price of $500,395. Additionally, $997,570 was invested in the Corporation's name in the LOGIC Investment Pool. These funds earned interest of $467 for the quarter.

Attachments
1. Quarterly investment report for quarter ending March 31, 2014

QUARTERLY INVESTMENT REPORT

FOR QUARTER ENDING MARCH 31, 2014

THIS REPORT IS IN COMPLIANCE WITH THE PUBLIC FUNDS INVESTMENT ACT
AND ADOPTED INVESTMENT POLICY STRATEGY

OUTSTANDING INVESTMENTS AT MARCH 31, 2014

	PURCHASE PRICE	PAR VALUE	MARKET VALUE @ 3/31/14	MATURITY DATE	YIELD ON INVESTMENT
FHLB NOTE	$1,000,000	$1,000,000	$1,000,098	4/22/2014	0.240%
FFCB NOTE	$999,780	$1,000,000	$1,000,129	5/1/2014	0.265%
FFCB NOTE	$1,000,000	$1,000,000	$1,000,141	5/13/2014	0.200%
FHLB NOTE	$1,099,450	$1,100,000	$1,100,675	6/18/2014	0.400%
FHLB NOTE	$1,018,000	$1,000,000	$1,014,186	9/12/2014	0.132%
FFCB NOTE	$1,200,000	$1,200,000	$1,201,163	9/25/2014	0.270%
FHLB NOTE	$1,300,000	$1,300,000	$1,300,823	10/8/2014	0.230%
FFCB NOTE	$999,800	$1,000,000	$1,000,790	11/14/2014	0.270%
FFCB NOTE	$1,198,956	$1,200,000	$1,200,578	11/24/2014	0.260%
FFCB NOTE	$1,000,000	$1,000,000	$1,000,879	2/25/2015	0.320%
TREASURY NOTE	$1,303,495	$1,300,000	$1,303,351	6/15/2015	0.190%
FHLB NOTE	$753,559	$750,000	$753,909	6/19/2015	0.320%
FFCB NOTE	$1,000,200	$1,000,000	$1,001,142	6/24/2015	0.330%
FFCB NOTE	$999,850	$1,000,000	$1,000,604	7/13/2015	0.308%
FFCB NOTE	$1,003,705	$1,000,000	$1,001,485	9/16/2015	0.335%
FFCB NOTE	$1,400,000	$1,400,000	$1,400,178	11/4/2015	0.350%
FFCB NOTE	$500,478	$500,000	$500,064	11/4/2015	0.300%
FFCB NOTE	$1,000,000	$1,000,000	$999,454	11/13/2015	0.330%
FHLB NOTE	$1,222,800	$1,200,000	$1,218,635	12/11/2015	0.390%
FHLB NOTE	$1,400,000	$1,400,000	$1,394,294	3/3/2016	0.350%
TOTAL OUTSTANDING INVESTMENTS	$21,400,073	$21,350,000	$21,392,578		

CITY OF COLLEYVILLE BALANCES AT MARCH 31, 2014

INVESTMENT PURCHASES	$21,350,000
CDAR'S CERTIFICATES OF DEPOSIT	$5,028,213
LOGIC INVESTMENT POOL	$23,813,280
TOTAL CITY INVESTMENTS HELD AT MARCH 31, 2014	$50,191,493

COLLEYVILLE ECONOMIC DEVELOPMENT CORPORATION (CEDC) BALANCES AT MARCH 31, 2014

INVESTMENT PURCHASES	$500,000
LOGIC INVESTMENT POOL	$997,570
TOTAL CEDC INVESTMENTS HELD AT MARCH 31, 2014	$1,497,570

TOTAL INVESTMENTS HELD BY CITY OF COLLEYVILLE AND COLLEYVILLE ECONOMIC DEVELOPMENT CORPORATION AT MARCH 31, 2014	$51,689,062

INTEREST EARNINGS ON CITY OF COLLEYVILLE INVESTMENTS FOR THE PERIOD OF JANUARY 1 - MARCH 31, 2014

	PURCHASE PRICE	PAR VALUE	MATURITY DATE	YIELD ON INVESTMENT	INTEREST EARNED
FHLB NOTE	$999,500	$1,000,000	1/29/2014	0.355%	$282
FFCB NOTE	$1,216,016	$1,200,000	2/27/2014	0.320%	$600
FHLB NOTE	$1,000,000	$1,000,000	4/22/2014	0.240%	$592
FFCB NOTE	$1,200,000	$1,200,000	5/1/2014	0.265%	$784
FFCB NOTE	$1,000,000	$1,000,000	5/13/2014	0.200%	$493
FHLB NOTE	$1,099,450	$1,100,000	6/18/2014	0.400%	$1,085
FHLB NOTE	$1,018,000	$1,000,000	9/12/2014	0.132%	$166
FFCB NOTE	$1,200,000	$1,200,000	9/25/2014	0.270%	$799
FHLB NOTE	$1,300,000	$1,300,000	10/8/2014	0.230%	$737
FFCB NOTE	$999,800	$1,000,000	11/14/2014	0.270%	$666
FFCB NOTE	$1,198,956	$1,200,000	11/24/2014	0.260%	$769
FFCB NOTE **	$1,199,700	$1,200,000	12/26/2014	0.270%	$62
FFCB NOTE **	$1,000,000	$1,000,000	2/15/2015	0.280%	$322
FFCB NOTE	$1,000,000	$1,000,000	2/25/2015	0.320%	$789
TREASURY NOTE	$1,303,495	$1,300,000	6/15/2015	0.190%	$609
FHLB NOTE	$753,559	$750,000	6/19/2015	0.320%	$592
FFCB NOTE	$1,000,200	$1,000,000	6/24/2015	0.330%	$814
FFCB NOTE	$999,850	$1,000,000	7/13/2015	0.308%	$759
FFCB NOTE	$1,003,705	$1,000,000	9/16/2015	0.335%	$826
FFCB NOTE	$1,400,000	$1,400,000	11/4/2015	0.350%	$1,208
FFCB NOTE	$500,478	$500,000	11/4/2015	0.300%	$370
FHLB NOTE	$1,000,000	$1,000,000	11/13/2015	0.330%	$45
FHLB NOTE	$1,000,000	$1,000,000	12/11/2015	0.390%	$940
FFCB NOTE	$1,400,000	$1,400,000	3/3/2016	0.350%	$389

TOTAL INTEREST EARNED ON CITY INVESTMENTS HELD JANUARY 1, 2014 THROUGH MARCH 31, 2014 $14,699

RECAP OF MARKET VALUES ON CITY OF COLLEYVILLE INVESTMENTS HELD JANUARY 1 - MARCH 31, 2014

INVESTMENT	PURCHASE DATE	MATURITY DATE	PURCHASE PRICE	PAR VALUE	MARKET VALUE @ 12-31-13	LESS MATURITY PROCEEDS	PLUS PERIOD PURCHASES	MARKET VALUE @ 3-31-14
FFCB NOTE	6/28/2012	2/27/2014	$1,216,016	$1,200,000	$1,201,823	$1,200,000	N/A	N/A
FHLB NOTE	6/28/2012	6/18/2014	$1,099,450	$1,100,000	$1,101,186	N/A	N/A	$1,100,675
FFCB NOTE	9/25/2012	9/25/2014	$1,200,000	$1,200,000	$1,201,243	N/A	N/A	$1,201,163
FHLB NOTE	10/22/2012	4/22/2014	$1,000,000	$1,000,000	$1,000,336	N/A	N/A	$1,000,098
FFCB NOTE	11/20/2012	5/1/2014	$999,780	$1,000,000	$1,000,529	N/A	N/A	$1,000,129
FFCB NOTE **	12/27/2012	12/26/2014	$1,199,700	$1,200,000	$1,200,013	$1,200,000	N/A	N/A
FFCB NOTE	1/14/2013	11/14/2014	$999,800	$1,000,000	$1,000,606	N/A	N/A	$1,000,790
FHLB NOTE	1/15/2013	1/29/2014	$1,002,104	$1,000,000	$1,000,184	$1,000,000	N/A	N/A
FFCB NOTE	2/13/2013	5/13/2014	$1,000,000	$1,000,000	$1,000,254	N/A	N/A	$1,000,141
FFCB NOTE **	2/15/2013	2/12/2015	$1,000,000	$1,000,000	$1,000,135	$1,000,000	N/A	N/A
FHLB NOTE	4/8/2013	10/8/2014	$1,299,266	$1,300,000	$1,300,575	N/A	N/A	$1,300,823
FFCB NOTE	6/12/2013	11/24/2014	$1,198,856	$1,200,000	$1,200,215	N/A	N/A	$1,200,578
FFCB NOTE	6/24/2013	6/24/2015	$1,000,200	$1,000,000	$999,807	N/A	N/A	$1,001,142
FFCB NOTE	6/25/2013	2/25/2015	$1,000,000	$1,000,000	$1,000,700	N/A	N/A	$1,000,879
FHLB NOTE	7/23/2013	6/19/2015	$753,559	$750,000	$754,280	N/A	N/A	$753,909
FFCB NOTE	8/13/2013	7/13/2015	$999,850	$1,000,000	$999,182	N/A	N/A	$1,000,604
FHLB NOTE	11/1/2013	9/15/2015	$1,003,705	$1,000,000	$1,001,867	N/A	N/A	$1,001,485
FFCB NOTE	11/1/2013	11/14/2015	$1,400,000	$1,400,000	$1,398,946	N/A	N/A	$1,400,178
FFCB NOTE	12/3/2013	11/14/2015	$500,478	$500,000	$499,624	N/A	N/A	$500,064
FFCB NOTE	12/31/2013	6/15/2015	$1,303,495	$1,300,000	$1,302,742	N/A	N/A	$1,303,351
FHLB NOTE	1/3/2014	12/11/2015	$1,222,800	$1,200,000	N/A	N/A	$1,200,000	$1,218,635
FHLB NOTE	2/14/2014	9/14/2014	$1,018,000	$1,000,000	N/A	N/A	$1,000,000	$1,014,186
FHLB NOTE	3/3/2014	3/3/2016	$1,400,000	$1,400,000	N/A	N/A	$1,400,000	$1,394,294
FFCB NOTE	3/27/2014	11/13/2015	$1,000,000	$1,000,000	N/A	N/A	$1,000,000	$999,454
TOTALS					$21,164,247	$4,400,000	$4,600,000	$21,392,578

** EARLY CALL ON INVESTMENT

LISTING OF INVESTMENTS

BY GENERAL LEDGER

ACCOUNT NUMBER

ACCOUNT	ALLOCATION OF INVESTMENT	INVESTMENT-G/L TOTAL
001-1172	GENERAL FUND OPERATING	$8,469,519.12
002-1166	UTILITY DEBT SERVICE RESERVE	$648,072.20
002-1172	UTILITY FUND OPERATING	$5,040,413.20
002-1178	CUSTOMER DEPOSITS	$430,000.36
002-1557	THE RESERVE LIFT STATION	$62,029.33
003-1180	BEDFORD BRIDGE ESCROW	$35,936.99
003-1188	TOWN CENTER/HWY26	$36,283.13
003-1192	MCDONWELL WOODS EST ESCROW	$10,983.13
003-1200	LONGWOOD-PARKING ESCROW	$13,363.97
003-1204	BEDFORD LAKES/SOMERSET	$227,705.11
003-1228	PLEASANT RUN HARDAGE ESTATES/ESC	$46,796.98
003-1229	GLADE RD SUMMERBROOK	$56,097.48
003-1231	LAKEWOOD ESCROW	$26,072.36
003-1236	E. GLADE CRANBROOK ESCROW	$117,652.91
003-1237	E. GLADE ASHMORE I ESCROW	$51,849.16
003-1247	GLADE/WAYSIDE ESCROW	$42,369.17
003-1250	REATTA PLACE	$98,344.35
003-1257	ASHMORE II A GLADE RD ESCROW	$27,730.00
003-1268	MILL CREEK/ GLADE ESCROW	$30,168.65
003-1271	ASHMORE III/ GLADE ESCROW	$63,971.57
003-1278	GLADE RD/ASHMORE IIB ESCROW	$35,519.75
003-1301	LAKEWOOD PH IV	$77,610.95
003-1304	VILLAS DEL MAR	$60,252.07
003-1307	STREET RECONSTRUCTION	$93,974.61
003-1309	COVENANT CHRISTIAN	$140,608.29
003-1313	APPLEBEE'S	$43,797.30
003-1319	REMINGTON PARK	$27,884.84
003-1323	SHALIMAR	$69,607.80
003-1325	PECAN GARDENS	$32,415.39
003-1330	REMINGTON PARK	$81,134.20
003-1340	CASTLETON MANOR	$81,393.86
003-1357	CITGO/LD LOCKETT	$56,741.19
003-1392	CLAIRMONT-PH I	$104,849.14
003-1404	TANGLEWOOD	$26,080.00
003-1418	CLAIRMONT-PH II	$147,202.77
003-1429	WARWICK PARC	$89,300.02
003-1434	ROCKRIMMON	$65,177.99
003-1486	CHANEL'S COURT	$47,945.04
003-1500	SH26 ROW PURCHASES	$227,626.32
003-1563	VILLAS OF COLLEYVILLE	$53,034.40
005-1172	VOLUNTARY PARK FUND	$599,589.18
011-1172	LIBRARY DONATIONS FUND	$358,328.12
012-1172	PARK LAND DEDICATION FUND	$1,466,336.35
017-1172	DRAINAGE FUND OPERATING	$219,497.34
024-1172	CEDC OPERATING	$500,395.19
026-1172	TIF OPERATING	$832,681.85
032-1172	CAPITAL EQUIPMENT RESERVE	$450,000.00
034-1172	COLLEYVILLE TOMORROW	$375,000.00
PER GENERAL LEDGER		$21,899,343.13
MARKET VALUE		$21,893,026.60
VALUE AT MATURITY		$21,850,000.00
INTEREST RECEIVED TO MATURITY		$110,150.20

OUTSTANDING INVESTMENTS AT 3-31-14

INVESTMENT		FHLB NOTE	FFCB NOTE	FHLB NOTE	FFCB NOTE	FFCB NOTE	FFCB NOTE	FHLB NOTE
DATE ACQUIRED		28-Jun-12	25-Sep-12	22-Oct-12	20-Nov-12	14-Jan-13	13-Feb-13	08-Apr-13
MATURITY DATE		18-Jun-14	25-Sep-14	22-Apr-14	01-May-14	14-Nov-14	13-May-14	08-Oct-14
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.150%	0.140%	0.150%	0.135%	0.105%	0.120%	0.095%
YIELD TO MATURITY		0.400%	0.270%	0.240%	0.265%	0.270%	0.200%	0.230%
ACCOUNT	**ALLOCATION OF INVESTMENT**							
001-1172	GENERAL FUND OPERATING	600,562.51			500,000.00	999,800.00	650,000.00	
002-1166	UTILITY DEBT SERVICE RESERVE							
002-1172	UTILITY FUND OPERATING		578,268.62	3,869.04	499,780.00			802,347.23
002-1178	CUSTOMER DEPOSITS		165,351.19					232,316.16
002-1557	THE RESERVE LIFT STATION			62,029.33				
003-1180	BEDFORD BRIDGE ESCROW							
003-1188	TOWN CENTER/HWY26			36,283.13				
003-1192	MCDONWELL WOODS EST ESCROW			10,983.13				
003-1200	LONGWOOD-PARKING ESCROW			13,363.97				
003-1204	BEDFORD LAKES/SOMERSET			227,705.11				
003-1228	PLEASANT RUN HARDAGE ESTATES/ESC							
003-1229	GLADE RD SUMMERBROOK							56,097.48
003-1231	LAKEWOOD ESCROW			26,072.36				
003-1236	E. GLADE CRANBROOK ESCROW			117,652.91				
003-1237	E. GLADE ASHMORE I ESCROW							51,849.16
003-1247	GLADE/WAYSIDE ESCROW			42,369.17				
003-1250	REATTA PLACE			98,344.35				
003-1257	ASHMORE II A GLADE RD ESCROW							27,730.00
003-1268	MILL CREEK/ GLADE ESCROW							30,168.65
003-1271	ASHMORE III/ GLADE ESCROW							63,971.57
003-1278	GLADE RD/ASHMORE IIB ESCROW							35,519.75
003-1301	LAKEWOOD PH IV							
003-1304	VILLAS DEL MAR			60,252.07				
003-1307	STREET RECONSTRUCTION							
003-1309	COVENANT CHRISTIAN							
003-1313	APPLEBEE'S			43,797.30				
003-1319	REMINGTON PARK							
003-1323	SHALIMAR			69,607.80				
003-1325	PECAN GARDENS							
003-1330	REMINGTON PARK							
003-1340	CASTLETON MANOR							
003-1357	CITGO/LD LOCKETT			56,741.19				
003-1392	CLAIRMONT-PH I			104,849.14				
003-1404	TANGLEWOOD			26,080.00				
003-1418	CLAIRMONT-PH II							
003-1429	WARWICK PARC							
003-1434	ROCKRIMMON							
003-1486	CHANEL'S COURT							
003-1500	SH26 ROW PURCHASES							
003-1563	VILLAS OF COLLEYVILLE							
005-1172	VOLUNTARY PARK FUND							
011-1172	LIBRARY DONATIONS FUND	358,328.12						
012-1172	PARK LAND DEDICATION FUND	115,559.37						
017-1172	DRAINAGE FUND OPERATING							
024-1172	CEDC OPERATING							
026-1172	TIF OPERATING		456,380.19					
032-1172	CAPITAL EQUIPMENT RESERVE							
034-1172	COLLEYVILLE TOMORROW	25,000.00					350,000.00	
PER GENERAL LEDGER		$1,099,450.00	$1,200,000.00	$1,000,000.00	$999,780.00	$999,800.00	$1,000,000.00	$1,300,000.00
MARKET VALUE		$1,100,675.40	$1,201,162.80	$1,000,098.00	$1,000,129.00	$1,000,790.00	$1,000,141.00	$1,300,822.90
VALUE AT MATURITY		$1,100,000.00	$1,200,000.00	$1,000,000.00	$1,000,000.00	$1,000,000.00	$1,000,000.00	$1,300,000.00
INTEREST RECEIVED TO MATURITY		$8,689.72	$6,480.00	$3,596.71	$3,826.16	$4,939.97	$2,487.67	$4,489.10

OUTSTANDING INVESTMENTS AT 3-31-14

INVESTMENT		FFCB NOTE	FFCB NOTE	FFCB NOTE	FHLB NOTE	FFCB NOTE	FHLB NOTE	FFCB NOTE
DATE ACQUIRED		12-Jun-13	24-Jun-13	25-Jun-13	23-Jul-13	13-Aug-13	01-Nov-13	01-Nov-13
MATURITY DATE		24-Nov-14	24-Jun-15	25-Feb-15	19-Jun-15	13-Jul-15	16-Sep-15	04-Nov-15
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.080%	0.105%	0.105%	0.070%	0.075%	0.080%	0.080%
YIELD TO MATURITY		0.260%	0.320%	0.330%	0.320%	0.308%	0.335%	0.350%
ACCOUNT	**ALLOCATION OF INVESTMENT**							
001-1172	GENERAL FUND OPERATING	450,000.00		999,500.00			1,003,080.00	
002-1166	UTILITY DEBT SERVICE RESERVE							
002-1172	UTILITY FUND OPERATING	448,956.00	1,000,200.00		230,846.13	999,850.00		300,000.00
002-1178	CUSTOMER DEPOSITS							
002-1557	THE RESERVE LIFT STATION							
003-1180	BEDFORD BRIDGE ESCROW							
003-1188	TOWN CENTER/HWY26							
003-1192	MCDONWELL WOODS EST ESCROW							
003-1200	LONGWOOD-PARKING ESCROW							
003-1204	BEDFORD LAKES/SOMERSET							
003-1228	PLEASANT RUN HARDAGE ESTATES/ESC							
003-1229	GLADE RD SUMMERBROOK							
003-1231	LAKEWOOD ESCROW							
003-1236	E. GLADE CRANBROOK ESCROW							
003-1237	E. GLADE ASHMORE I ESCROW							
003-1247	GLADE/WAYSIDE ESCROW							
003-1250	REATTA PLACE							
003-1257	ASHMORE II A GLADE RD ESCROW							
003-1268	MILL CREEK/ GLADE ESCROW							
003-1271	ASHMORE III/ GLADE ESCROW							
003-1278	GLADE RD/ASHMORE IIB ESCROW							
003-1301	LAKEWOOD PH IV							
003-1304	VILLAS DEL MAR							
003-1307	STREET RECONSTRUCTION							
003-1309	COVENANT CHRISTIAN				140,608.29			
003-1313	APPLEBEE'S							
003-1319	REMINGTON PARK							
003-1323	SHALIMAR							
003-1325	PECAN GARDENS							
003-1330	REMINGTON PARK							
003-1340	CASTLETON MANOR							
003-1357	CITGO/LD LOCKETT							
003-1392	CLAIRMONT-PH I							
003-1404	TANGLEWOOD							
003-1418	CLAIRMONT-PH II							
003-1429	WARWICK PARC				89,300.02			
003-1434	ROCKRIMMON				65,177.99			
003-1486	CHANEL'S COURT							
003-1500	SH26 ROW PURCHASES				227,626.32			
003-1563	VILLAS OF COLLEYVILLE							
005-1172	VOLUNTARY PARK FUND	200,000.00						200,000.00
011-1172	LIBRARY DONATIONS FUND							
012-1172	PARK LAND DEDICATION FUND	100,000.00						300,000.00
017-1172	DRAINAGE FUND OPERATING							150,000.00
024-1172	CEDC OPERATING							
026-1172	TIF OPERATING							
032-1172	CAPITAL EQUIPMENT RESERVE							450,000.00
034-1172	COLLEYVILLE TOMORROW							
PER GENERAL LEDGER		$1,198,956.00	$1,000,200.00	$999,500.00	$753,558.75	$999,850.00	$1,003,080.00	$1,400,000.00
MARKET VALUE		$1,200,578.40	$1,001,142.00	$1,000,879.00	$753,909.00	$1,000,604.00	$1,001,485.00	$1,400,177.80
VALUE AT MATURITY		$1,200,000.00	$1,000,000.00	$1,000,000.00	$750,000.00	$1,000,000.00	$1,000,000.00	$1,400,000.00
INTEREST RECEIVED TO MATURITY		$4,532.15	$6,399.20	$5,516.59	$4,576.64	$5,895.81	$6,278.90	$9,840.27

OUTSTANDING INVESTMENTS AT 3-31-14

INVESTMENT		FFCB NOTE	TREASURY NOTE	TREASURY	FHLB NOTE	FHLB NOTE	FHLB NOTE	FFCB NOTE
DATE ACQUIRED		03-Dec-13	31-Dec-13	31-Dec-13	03-Jan-14	14-Feb-14	03-Mar-14	27-Mar-14
MATURITY DATE		04-Nov-15	31-Jul-15	15-Jun-15	11-Dec-15	12-Sep-14	03-Mar-16	13-Nov-15
26 WEEK T-BILL AUCTION DISCOUNT/WEEK OF PURCHASE		0.100%	0.090%	0.090%	0.070%	0.070%	0.080%	0.060%
YIELD TO MATURITY		0.300%	0.200%	0.190%	0.390%	0.132%	0.350%	0.330%
ACCOUNT	**ALLOCATION OF INVESTMENT**							
001-1172	GENERAL FUND OPERATING	500,478.00			366,098.61		1,400,000.00	1,000,000.00
002-1166	UTILITY DEBT SERVICE RESERVE				648,072.20			
002-1172	UTILITY FUND OPERATING				176,296.18			
002-1178	CUSTOMER DEPOSITS				32,333.01			
002-1557	THE RESERVE LIFT STATION							
003-1180	BEDFORD BRIDGE ESCROW			35,936.99				
003-1188	TOWN CENTER/HWY26							
003-1192	MCDONWELL WOODS EST ESCROW							
003-1200	LONGWOOD-PARKING ESCROW							
003-1204	BEDFORD LAKES/SOMERSET							
003-1228	PLEASANT RUN HARDAGE ESTATES/ESC			46,796.98				
003-1229	GLADE RD SUMMERBROOK							
003-1231	LAKEWOOD ESCROW							
003-1236	E. GLADE CRANBROOK ESCROW							
003-1237	E. GLADE ASHMORE I ESCROW							
003-1247	GLADE/WAYSIDE ESCROW							
003-1250	REATTA PLACE							
003-1257	ASHMORE II A GLADE RD ESCROW							
003-1268	MILL CREEK/ GLADE ESCROW							
003-1271	ASHMORE III/ GLADE ESCROW							
003-1278	GLADE RD/ASHMORE IIB ESCROW							
003-1301	LAKEWOOD PH IV					77,610.95		
003-1304	VILLAS DEL MAR							
003-1307	STREET RECONSTRUCTION					93,974.61		
003-1309	COVENANT CHRISTIAN							
003-1313	APPLEBEE'S							
003-1319	REMINGTON PARK					27,884.84		
003-1323	SHALIMAR							
003-1325	PECAN GARDENS			32,415.39				
003-1330	REMINGTON PARK			81,134.20				
003-1340	CASTLETON MANOR					81,393.86		
003-1357	CITGO/LD LOCKETT							
003-1392	CLAIRMONT-PH I							
003-1404	TANGLEWOOD							
003-1418	CLAIRMONT-PH II					147,202.77		
003-1429	WARWICK PARC							
003-1434	ROCKRIMMON							
003-1486	CHANEL'S COURT					47,945.04		
003-1500	SH26 ROW PURCHASES							
003-1563	VILLAS OF COLLEYVILLE					53,034.40		
005-1172	VOLUNTARY PARK FUND			199,589.18				
011-1172	LIBRARY DONATIONS FUND							
012-1172	PARK LAND DEDICATION FUND			461,823.45		488,953.53		
017-1172	DRAINAGE FUND OPERATING			69,497.34				
024-1172	CEDC OPERATING		500,395.19					
026-1172	TIF OPERATING			376,301.66				
032-1172	CAPITAL EQUIPMENT RESERVE							
034-1172	COLLEYVILLE TOMORROW							
PER GENERAL LEDGER		$500,478.00	$500,395.19	$1,303,495.19	$1,222,800.00	$1,018,000.00	$1,400,000.00	$1,000,000.00
MARKET VALUE		$500,063.50	$500,449.00	$1,303,351.40	$1,218,634.80	$1,014,186.00	$1,394,293.60	$999,454.00
VALUE AT MATURITY		$500,000.00	$500,000.00	$1,300,000.00	$1,200,000.00	$1,000,000.00	$1,400,000.00	$1,000,000.00
INTEREST RECEIVED TO MATURITY		$2,880.82	$1,580.82	$3,593.34	$9,073.25	$761.02	$9,813.42	$5,388.49

CDARS CERTIFICATE OF DEPOSIT ALLOCATION

CDARS CERTIFICATES OF DEPOSIT

FUND ALLOCATION	AMOUNT	PURCHASE DATE	MATURITY DATE	INTEREST RATE	INTEREST EARNED DURING QUARTER
UTILITY FUND	$504,557.93	8/1/2013	7/31/2014	0.45%	$559.85
GENERAL FUND	$504,362.98	6/27/2013	6/26/2014	0.30%	$373.09
GENERAL FUND	$505,257.33	3/27/2014	3/26/2015	0.30%	$393.40
GENERAL FUND	$1,512,289.06	9/26/2013	9/25/2014	0.22%	$820.37
GENERAL FUND	$500,000.00	9/26/2012	9/25/2014	0.50%	$616.44
GENERAL FUND	$501,745.31	9/26/2013	9/25/2014	0.30%	$371.15
GENERAL FUND	$500,000.00	9/26/2013	9/25/2014	0.30%	$369.86
GENERAL FUND	$500,000.00	3/27/2014	3/24/2016	0.50%	$34.25
TOTAL	$5,028,212.61				$3,538.41

LOGIC INVESTMENT POOL ALLOCATION

AND GENERAL INFORMATION

LOCAL GOVERNMENT INVESTMENT COOPERATIVE / "LOGIC"
ACCOUNT ALLOCATION AT MARCH 31, 2014

ACCT #	DESCRIPTION	BALANCE
	GENERAL FUND	
001.1115	GENERAL OPERATING	$618,481.42
	UTILITY FUND	
002.1115	UTILITY OPNS	$2,116,847.99
002.1116	IMPACT FEES WATER	$954,709.26
002.1130	UTILITY INTEREST & SINKING FUND	$782,810.55
002.1294	IMPACT FEES SEWER	$534,985.09
	CAPITAL PROJECTS FUND	
003.1113	IMPACT FEES/SA I	$21,177.35
003.1508	MICRO-RESURFACING	$304,166.12
003.1509	STREET RESURFACING	$1,623,209.33
	DEBT SERVICE FUND	
004.1115	DEBT SERVICE OPERATING	$924,333.52
	DRAINAGE FUND	
017.1115	DRAINAGE OPERATING	$606,834.69
017.1159	DRAINAGE INT & SINKING FUND	$233,682.22
017.1380	2001 DRAINAGE BONDS	$2,324.19
	TIF FUND	
026.1115	TIF OPERATING	$10,059,297.01
026.1383	2001 TIF BONDS	$183,153.35
	CCCPD FUND	
027.1115	CCCPD OPERATING	$908,814.43
027.1147	99 POLICE/COURT BLDG FUND	$3,863.64
	SALES TAX INCENTIVE AGREEMENT FUND	
031.1115	SALES TAX INCENTIVE AGREEMENT OPERATING	$353,926.25
	CAPITAL EQUIPMENT REPLACEMENT FUND	
032.1115	CAPITAL EQUIPMENT REPLACEMENT FUND	$281,785.08
	COLLEYVILLE TOMORROW FUND	
034.1115	COLLEYVILLE TOMORROW FUND	$1,642,759.07
	PARKS TOMORROW FUND	
035.1115	PARKS TOMORROW FUND	$1,212,439.30
	STRATEGIC INITIATIVES FUND	
036.1115	STRATEGIC INITIATIVES FUND	$295,772.66
TOTAL LOGIC POOL BALANCE		$23,665,372.52

LOGIC Newsletter

March 2014

Performance

As of March 31, 2014

Current Invested Balance	$3,812,702,878.85
Weighted Average Maturity (1)*	58 Days
Weighted Average Maturity (2)*	58 Days
Net Asset Value	1.000049
Total Number of Participants	464
Management Fee on Invested Balance	0.0875%
Interest Distributed	$592,707.77
Management Fee Collected	$296,830.24
% of Portfolio Invested Beyond 1 Year	0.00%
Standard & Poor's Current Rating	AAAm

March Averages:

Average Invested Balance	$3,994,143,414.12
Average Monthly Yield, on a simple basis	0.0874%
Average Weighted Average Maturity (1)*	58 Days
Average Weighted Average Maturity (2)*	58 Days

*Definition of Weighted Average Maturity (1) & (2)

(1) This weighted average maturity calculation uses the SEC Rule 2a-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted average maturity for the pool. This Rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) This weighted average maturity calculation uses the final maturity of any floating rate instruments held in the portfolio to calculate the weighted average maturity for the pool.

Rates reflect historical information and are not an indication of future performance.

News

New Participants

We would like to welcome the following entities who joined the LOGIC program in March:

★ City of Burkburnett
★ City of Glen Rose

Holiday Reminder

In observance of Good Friday, **LOGIC will be closed Friday, April 18, 2014.** All ACH transactions initiated on Thursday, April 17th will settle on Monday, April 21st. Notification of any early transaction deadlines on the business day preceding this holiday will be sent by email to the primary contact on file for all LOGIC participants. Please plan accordingly for your liquidity needs.

Program Information

LOGIC Turns 20!

LOGIC is proud this month to celebrate 20 years of providing investment services to Texas local governments. On April 4, 1994, Fort Bend County and the City of Wichita Falls passed resolutions to join together under the Texas Interlocal Cooperation Act to form LOGIC (Local Government Investment Cooperative). These entities desired to invest their funds jointly with other local governments to take advantage of economies of scale to obtain access to best market execution, interest rates and cost savings for the benefit of their constituents. Since that time, LOGIC has grown to 468 participants with over $4 billion under management.

The LOGIC Board and the Co-Administrators, FirstSouthwest and JPMorgan Investment Management, want to extend our sincere appreciation for your participation in LOGIC. We have enjoyed assisting you throughout the years with the important work you do in service to your organizations. We appreciate your confidence in LOGIC to achieve your cash management objectives and look forward to serving your investment needs for many years to come.

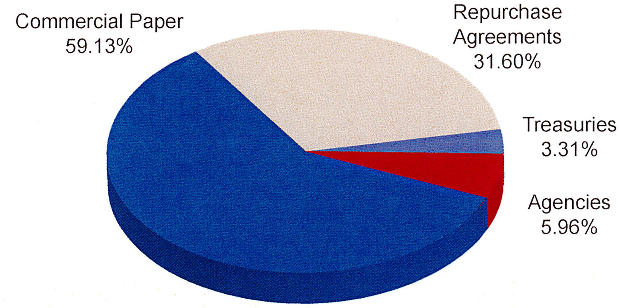
Economic Commentary

Concerns about an uneven U.S. economy, a slowdown in the emerging markets, and turmoil in Ukraine benefited U.S. Treasuries during most of the quarter. The Federal Reserve's initiation of its gradual retreat from quantitative easing led to a "liquidity squeeze" in those emerging market countries with weaker current account balances that had relied on the influx of global liquidity over the last few years and a flight to quality in U.S Treasuries. At the March FOMC meeting, the Committee reiterated that the fed funds rate will remain in the current 0 to 25bps range for a considerable time, but in the press conference, Chairwoman Yellen surprised markets when she mentioned that "considerable time" could mean "six months" after asset purchases end. In addition, the Federal Reserve participants' median projections of the fed funds rate were higher than the December 2013 meeting projections for 2015 and 2016. Investors immediate responded by selling U.S. Treasuries, especially shorter maturities. The global economy continues to recover, but not expand, with expectations for sub-trend global growth through the remainder of the year.

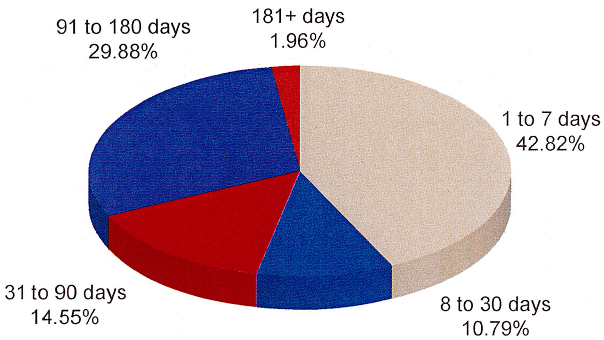
This information is an excerpt from an economic report dated March 2014 provided to LOGIC by JPMorgan Asset Management, Inc., the investment manager of the LOGIC pool.

Information at a Glance

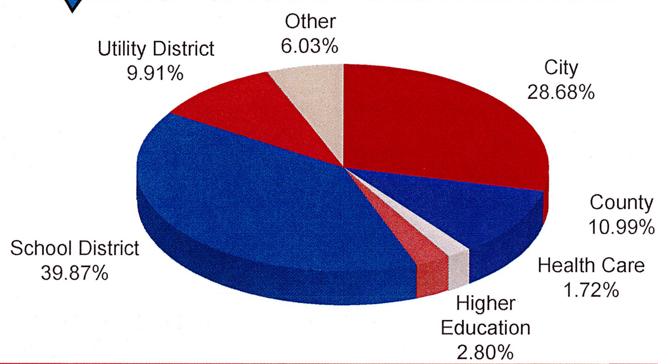
Portfolio by Type of Investment As of March 31, 2014



Portfolio by Maturity As of March 31, 2014



Distribution of Participants by Type As of March 31, 2014



History

Historical Program Information

Month	Average Rate	Book Value	Market Value	Net Asset Value	WAM (1)*	WAM (2)*	Number of Participants
Mar 14	0.0874%	$3,812,702,878.85	$3,812,891,555.62	1.000049	58	58	464
Feb 14	0.0842%	3,747,022,814.38	3,747,173,249.71	1.000033	56	57	462
Jan 14	0.0884%	3,698,616,046.51	3,698,785,064.48	1.000038	56	57	461
Dec 13	0.0965%	2,921,403,267.91	2,921,614,572.98	1.000068	54	58	461
Nov 13	0.1085%	2,296,577,540.51	2,296,787,500.24	1.000087	57	63	460
Oct 13	0.1183%	2,396,619,880.39	2,396,833,669.59	1.000089	57	63	460
Sep 13	0.1125%	2,315,505,671.90	2,315,692,920.50	1.000080	57	62	459
Aug 13	0.1053%	2,241,818,554.65	2,241,919,096.89	1.000037	57	61	459
Jul 13	0.1107%	2,475,457,138.23	2,475,581,364.17	1.000050	53	57	458
Jun 13	0.1264%	2,478,319,009.61	2,478,371,853.17	1.000021	56	59	456
May 13	0.1320%	2,713,076,330.17	2,713,270,235.28	1.000071	53	54	454
Apr 13	0.1457%	3,092,146,941.09	3,092,356,673.37	1.000067	56	58	453

Assets

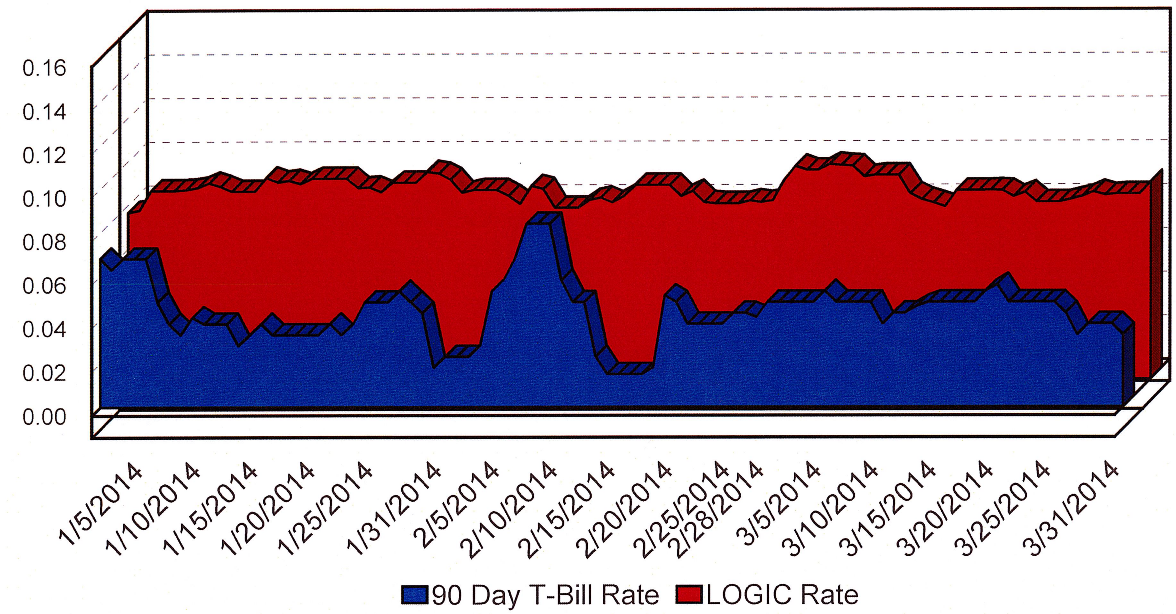
Portfolio Asset Summary as of March 31, 2014

	Book Value	Market Value
Uninvested Balance	$ (103,426.35)	$ (103,426.35)
Accrual of Interest Income	64,785.94	64,785.94
Interest and Management Fees Payable	(661,280.70)	(661,280.70)
Payable for Investment Purchased	0.00	0.00
Receivable for Investment Sold	83,588,405.98	83,588,405.98
Repurchase Agreements	1,178,487,000.00	1,178,487,000.00
Commercial Paper	2,205,513,542.75	2,205,665,460.48
Government Securities	345,813,851.23	345,850,610.27
Total	**$ 3,812,702,878.85**	**$3,812,891,555.62**

Market value of collateral supporting the Repurchase Agreements is at least 102% of the Book Value. The portfolio is managed by J.P. Morgan Chase & Co. and the assets are safekept in a separate custodial account at the Federal Reserve Bank in the name of LOGIC. The only source of payment to the Participants are the assets of LOGIC. There is no secondary source of payment for the pool such as insurance or guarantee. Should you require a copy of the portfolio, please contact LOGIC Participant Services.

Daily Rates

LOGIC versus 90-Day Treasury Bill



This material is for information purposes only. This information does not represent an offer to buy or sell a security. The above rate information is obtained from sources that are believed to be reliable; however, its accuracy or completeness may be subject to change. The LOGIC management fee may be waived in full or in part at the discretion of the LOGIC co-administrators and the LOGIC rate for the period shown reflects waiver of fees. This table represents historical investment performance/return to the customer, net of fees, and is not an indication of future performance. An investment in the security is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing in the security. Information about these and other program details are in the fund's Information Statement which should be read carefully before investing. The yield on the 90-Day Treasury Bill ("T-Bill Yield") is shown for comparative purposes only. When comparing the investment returns of the LOGIC pool to the T-Bill Yield, you should know that the LOGIC pool consist of allocations of specific diversified securities as detailed in the respective Information Statements. The T-Bill Yield is taken from Bloomberg Finance L.P. and represents the daily closing yield on the then current 90-day T-Bill.

Daily Summary

Daily Summary for March 2014

Date	Mny Mkt Fund Equiv. [SEC Std.]	Daily Allocation Factor	LOGIC Invested Balance	Market Value Per Share	WAM Days (1)*	WAM Days (2)*
3/1/2014	0.0957%	0.000002621	$3,747,022,814.38	1.000033	57	58
3/2/2014	0.0957%	0.000002621	$3,747,022,814.38	1.000033	57	58
3/3/2014	0.0984%	0.000002696	$3,756,666,670.69	1.000041	59	60
3/4/2014	0.0978%	0.000002679	$3,822,199,413.22	1.000037	59	59
3/5/2014	0.0976%	0.000002674	$3,822,057,382.59	1.000037	58	58
3/6/2014	0.0927%	0.000002539	$3,975,155,966.10	1.000034	57	58
3/7/2014	0.0934%	0.000002559	$3,958,893,289.10	1.000025	56	57
3/8/2014	0.0934%	0.000002559	$3,958,893,289.10	1.000025	56	57
3/9/2014	0.0934%	0.000002559	$3,958,893,289.10	1.000025	56	57
3/10/2014	0.0849%	0.000002326	$3,964,181,778.65	1.000036	59	59
3/11/2014	0.0822%	0.000002252	$3,973,913,222.89	1.000033	59	60
3/12/2014	0.0807%	0.000002212	$4,038,428,183.67	1.000031	58	59
3/13/2014	0.0789%	0.000002163	$4,203,136,409.88	1.000031	55	56
3/14/2014	0.0863%	0.000002365	$4,179,783,326.30	1.000024	57	58
3/15/2014	0.0863%	0.000002365	$4,179,783,326.30	1.000024	57	58
3/16/2014	0.0863%	0.000002365	$4,179,783,326.30	1.000024	57	58
3/17/2014	0.0865%	0.000002369	$4,171,468,103.08	1.000035	57	57
3/18/2014	0.0863%	0.000002364	$4,167,932,106.40	1.000036	57	57
3/19/2014	0.0835%	0.000002288	$4,156,734,453.25	1.000033	59	59
3/20/2014	0.0855%	0.000002342	$4,135,481,384.41	1.000029	60	60
3/21/2014	0.0810%	0.000002218	$4,067,144,625.90	1.000022	58	58
3/22/2014	0.0810%	0.000002218	$4,067,144,625.90	1.000022	58	58
3/23/2014	0.0810%	0.000002218	$4,067,144,625.90	1.000022	58	58
3/24/2014	0.0822%	0.000002253	$4,063,173,916.21	1.000029	58	59
3/25/2014	0.0835%	0.000002289	$4,032,941,671.77	1.000026	59	60
3/26/2014	0.0856%	0.000002344	$4,016,810,983.39	1.000025	60	61
3/27/2014	0.0841%	0.000002305	$4,006,779,888.79	1.000037	59	60
3/28/2014	0.0846%	0.000002318	$3,862,390,690.42	1.000028	58	59
3/29/2014	0.0846%	0.000002318	$3,862,390,690.42	1.000028	58	59
3/30/2014	0.0846%	0.000002318	$3,862,390,690.42	1.000028	58	59
3/31/2014	0.0902%	0.000002471	$3,812,702,878.85	1.000049	58	58
Average	0.0874%	0.000002393	$3,994,143,414.12		58	58

LOGIC

LOGIC Participant Services
c/o First Southwest Asset Management, Inc.
325 North St. Paul Street, Suite 800
Dallas, TX 75201

LOGIC Board

Contacts

For more information contact LOGIC Participant Services ★ 1-800-895-6442 ★ www.logic.org

FirstSouthwest

J.P.Morgan Asset Management

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
www.colleyville.com

Agenda Number 2b **Agenda Date** 05/13/2014 **Number**
Type Presentation and Discussion
Department City Manager

Title
Review of the General and Utility Fund Balance policy

Explanation
On September 20, 2005, the City Council adopted a General and Utility Fund Balance policy, which requires a review every three years by the Audit Committee. The first review of the policy occurred in August 2008, and no changes were made. In August 2011, the Governmental Accounting Standards Board (GASB) adopted GASB 54, which designated five different types of reportable fund balance designations for financial reports issued after June 15, 2011. To be in compliance with GASB 54, the City's Fund Balance policy was updated to include the five required fund balance designations: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance, and was adopted on September 20, 2011 by Resolution R-11-3400 (attached). The adopted "General and Utility Fund Balance Policy – September 2011 Update" (attached) incorporated all changes for GASB 54 compliance. There are no current GASB required updates, therefore, no changes to the fund balance designations are proposed. Additionally, there are no changes to the existing policy of three months (90 days) of Fund Balance reserves for both the General Fund and Utility Fund, which was the level set when the policy was first adopted in 2005. Also attached is information from the Government Finance Officers Association about acceptable levels of fund balance in the General Fund, Enterprise Fund (Utility Fund), and replenishment of fund balance in the General Fund.

Attachments
1. Resolution R-11-3400
2. General and Utility Fund Balance Policy - Adopted Resolution R-11-3400 - September 2011
3. GFOA - Appropriate Level of Unrestricted Fund Balance in the General Fund
4. GFOA - Appropriate Levels of Working Capital in Enterprise Funds
5. GFOA - Replenishing Fund Balance in the General Fund

RESOLUTION R-11-3400

A RESOLUTION APPROVING COUNCIL ACTION UNDER CONSENT ITEMS AT THE REGULAR CITY COUNCIL MEETING OF SEPTEMBER 20, 2011

WHEREAS, Council has taken action on certain items on the agenda under Consent Items.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF COLLEYVILLE, TEXAS:

Sec. 1. THAT the agenda decisions approved by Council action under Consent Items as follows are hereby adopted:

a. Approval of the minutes of the regular City Council meeting of September 6, 2011

b. Approval of the minutes of the City Council worksession of August 9, 2011

c. Approval to renew the Horticulture Grounds Maintenance contract with The Lawn Firm, Inc., in an amount not to exceed $147,667, and authorize the city manager to execute same and any associated change orders, in an amount not to exceed $25,000, and subject to the approval of funding in the Fiscal Year 2012 (FY 2012) budget

d. Approval to renew the Grounds Maintenance Mowing contract with Whitmore and Sons, Inc., in an amount not to exceed $124,312.59, and authorize the city manager to execute same and any associated change orders, in an amount not to exceed $25,000, and subject to the approval of funding in the Fiscal Year 2012 (FY 2012) budget

e. Approval of an update to the Fund Balance policy for Governmental Accounting Standards Board (GASB) 54 compliance

f. Approval of Service Agreements between the City of Colleyville and Trane Service Group, through the Texas Cooperative Purchasing Network (TCPN) to provide for year one of a five-year agreement for the inspection, maintenance, and repair of the HVAC systems in the Colleyville City Hall, Colleyville Public Library, and Colleyville Justice Center, in an amount not to exceed $54,920.92

AND IT IS SO RESOLVED.

APPROVED BY A VOTE OF 7 AYES, 0 NAYS AND 0 ABSTENTIONS ON THIS THE 20th DAY OF September 2011.

ATTEST:

Cynthia Singleton, TRMC, CMC
City Secretary

CITY OF COLLEYVILLE

David Kelly
Mayor

City of Colleyville
General and Utility Fund Balance Policy
(Adopted Resolution R-11-3400
September Year 2011 revision)

General:

The objective of this policy is to ensure adequate fund balances are maintained, to have funding available for expenses in the event of unforeseen emergencies and to preserve the credit worthiness of the City for borrowing monies at favorable interest rates. After designations of the available General and Utility Fund Balances are authorized, the remaining respective amount is defined as Unassigned Fund Balance. Operating revenues will sufficiently fund current year operating expenditures. (Operating deficits are normally contrary to City policy as well as reasonable financial prudence.) All Unassigned Fund Balance are eligible for use at the discretion of the City Council. Such determinations will be handled by the City Council on a case-by-case basis. Operating revenues are defined as both (a) current year revenues and (b) revenues generated in prior fiscal years.

Purpose:

Establishing a policy for the fund balance in the General and Utility Funds is to provide a guideline for budgeting decisions and to insure that an adequate unassigned balance is provided to fund operations, by providing sufficient protection against uncollected taxes and shortfalls from municipal revenue sources. The General Fund is the primary operating fund of the City for its non-utility related operations. In addition, the City of Colleyville desires to maintain its current debt rating of AAA. Rating agencies are concerned about a government's credit worthiness and the level of unassigned General and Utility Fund balances are a part of the rating agencies evaluation.

There is no formula for determining an appropriate fund balance. Items to consider include the timing of revenue collections, the local and national economic environment, the volatility of the major revenue sources, and the degree of protection desired to mitigate current and future financial risks. The City of Colleyville obtains a substantial portion of its revenue from property taxes, sales taxes, franchise fees and utility fees.

While the most stable of revenue sources, property tax growth over the coming years will stabilize in growth as the city nears build-out. Sales tax collections are derived from local retail sales and are dependent upon both the local and national economies. The collection of franchise fees, particularly those based upon sales of electricity and natural gas, vary widely depending upon local weather conditions. Utility fees, similar to franchise fees, are subject to weather conditions. As a result, the desired level of unassigned General and Utility Fund balances are higher than the minimum level designated by the Government Finance Officers Association recommended practice on determining the appropriate level of unassigned fund balance for the General and Utility Funds.

Definitions

Fund Equity - A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance - An accounting distinction is made between the portions of fund equity that are spendable and nonspendable. These are broken up into five categories:

1. Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or permanent funds.

2. Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants and child safety fees.

3. Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. Commitments may be changed or lifted only by the City Council.

4. Assigned fund balance - comprises amounts intended to be used by the City of Colleyville for specific purposes. Intent can be expressed by the City Council. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5. Unassigned fund balance - is the residual classification of the General Fund and Utility Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

Policy

Committed Fund Balance

The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an ordinance approved by the Council at the City

Council meeting. The ordinance must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned Fund Balance
The City Council has authorized the City's Assistant City Manager / Chief Financial Officer as the official authorized to assign fund balance to a specific purpose as approved by this fund balance policy and City Council action.

Minimum Unassigned Fund Balance

It is the goal of the City to achieve, and maintain an unassigned fund balance in the General Fund equal to three months of that year’s budgeted expenditures for both the General and Utility Funds. The City Council may declare a fiscal emergency and withdraw any amount of the unassigned General and Utility Fund Balances for purposes of addressing the fiscal emergency. Any such action must also provide for necessary appropriations to restore the designated fund balance to the balance within a three-year.

Order of Expenditure of Funds

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds, unless specified otherwise by the City Council.

Procedures:

In order to achieve the objectives of this policy, the following guidelines shall be adhered to:

1. As part of the annual budget process, the Assistant City Manager / Chief Financial Officer will estimate and prepare a projection of the year-end unassigned fund balances. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis. The Assistant City Manager / Chief Financial Officer shall present the findings to the City Council as a part of the budget review process for the ensuing fiscal year.

2. Any anticipated balance in excess of the three months of Unassigned Fund Balance in the General and Utility Funds may be budgeted to reduce the ensuing year's property tax levy and/or utility rates or may be allocated by the City Council during the course of the fiscal year for special projects.

3. This policy will be reviewed by the Audit Committee every three years following adoption or sooner, at the direction of the City Council.

BEST PRACTICE

Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)

Background. Accountants employ the term *fund balance* to describe the net assets of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net assets of governmental funds calculated on a government's budgetary basis.[1] In both cases, fund balance is intended to serve as a measure of the financial resources available in a governmental fund.

Accountants distinguish up to five separate categories of fund balance, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: *nonspendable fund balance*, *restricted fund balance*, *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*.[2] The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration, too, in long-term financial planning.

In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance (i.e., the total of the amounts reported as committed, assigned, and unassigned fund balance) in the general fund.

Credit rating agencies monitor levels of fund balance and unrestricted fund balance in a government's general fund to evaluate a government's continued creditworthiness. Likewise, laws and regulations often govern appropriate levels of fund balance and unrestricted fund balance for state and local governments.

Those interested primarily in a government's creditworthiness or economic condition (e.g., rating agencies) are likely to favor increased levels of fund balance. Opposing pressures often come from unions, taxpayers and citizens' groups, which may view high levels of fund balance as "excessive."

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund.[3] Such a guideline should be set by the appropriate policy body and should provide both a temporal framework and

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[1] For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.

[2] These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which must be implemented for financial statements for periods ended June 30, 2011 and later.

[3] Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.

specific plans for increasing or decreasing the level of unrestricted fund balance, if it is inconsistent with that policy. [4]

The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.[5] The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances.[6] Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time.

In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

- The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
- Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
- The potential drain upon general fund resources from other funds as well as the availability of resources in other funds (i.e., deficits in other funds may require that a higher level of unrestricted fund balance be maintained in the general fund, just as, the availability of resources in other funds may reduce the amount of unrestricted fund balance needed in the general fund);[7]
- Liquidity (i.e., a disparity between when financial resources actually become available to make payments and the average maturity of related liabilities may require that a higher level of resources be maintained); and
- Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose).

Furthermore, governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance rather than on unrestricted fund balance.

Naturally, any policy addressing desirable levels of unrestricted fund balance in the general fund should be in conformity with all applicable legal and regulatory constraints. In this case in particular, it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated by all interested parties.

Approved by the GFOA's Executive Board, October, 2009.

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[4] See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).

[5] In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.

[6] In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues or expenditures, that decision should be followed consistently from period to period.

[7] However, except as discussed in footnote 4, not to a level below the recommended minimum.

BEST PRACTICE

Appropriate Levels of Working Capital in Enterprise Funds (BUDGET & CAAFR) (2011) (new)

Background. Enterprise funds distinguish between current and non-current assets and liabilities. It is possible to take advantage of this distinction to calculate working capital (i.e., current assets less current liabilities). The measure of working capital indicates the relatively liquid portion of total enterprise fund capital, which constitutes a margin or buffer for meeting obligations.

It is essential that a government maintain adequate levels of working capital in its enterprise funds to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenses) and to ensure stable services and fees.

Working capital is a crucial consideration, too, in long-term financial planning. Credit rating agencies consider the availability of working capital in their evaluations of continued creditworthiness. Likewise, laws and regulations may speak to appropriate levels of working capital for some enterprise funds.

Recommendation. The Government Finance Officers Association (GFOA) recommends that local governments adopt a target amount of working capital to maintain in each of their enterprise funds. Ideally, targets would be formally described in a financial policy and/or financial plan.

GFOA recommends that governments use working capital as the measure of available margin or buffer in enterprise funds. Although as previously stated, working capital is defined as current assets minus current liabilities, government finance officers should be aware of certain characteristics of working capital that affect its use as a measure. Specifically, the “current assets” portion of working capital includes assets or resources that are reasonably expected to be realized in cash (e.g., accounts receivable) or consumed (e.g., inventories and prepaids) within a year, which leads to two considerations for an accurate calculation of working capital:

- **Strength of collection practices.** An appropriate allowance for uncollectibles should be established and the amount of the receivable that is expected to be collected in cash within one year should be determined in a manner that is consistent with the collection practices of the government. If the accounts receivable collection practices of the enterprise fund are inconsistent or weak, then less of the accounts receivable amount should be reported as current assets.
- **Historical consumption of inventories and prepaids.** The amount of inventories and prepaids included in current assets should be a realistic estimate of the amount that will be consumed in one year based on a historical usage pattern and current operating levels (inventories) or based on the time periods to which the items relate (prepaids).

Because the purposes, customers, and other characteristics of enterprise funds can vary widely, GFOA recommends that governments develop a target amount of working capital that best fits local conditions for each fund. However, GFOA recommends that under no circumstances should the target for working capital be less than forty-five (45) days worth of annual operating expenses[1] and other working capital needs of the enterprise fund.[*] A target of 45-days would only be appropriate for those enterprise funds with the least amount of need for cushion or buffer.

In order to arrive at a customized target amount of working capital, governments should start with a baseline of ninety (90) days worth of working capital and then adjust the target based on the particular characteristics of the enterprise fund in question (using 45 days as the minimum acceptable level). The primary characteristics to think about when customizing a working capital target are presented below. The appendix to this Best Practices provides more detailed considerations for these characteristics as they pertain to common types of government enterprise funds.

- **Support from general government.** Some enterprise funds may be supported by general taxes or transfers from a general government. These enterprise funds may require lower levels of working capital if they are supported by these contributors. For a heavily subsidized enterprise fund the 45-day minimum working capital recommendation contained in this Best Practice might be met through support from the general government, if a financial buffer or cushion for the enterprise fund is to be provided by the general government (or other outside contributor).
- **Transfers out.** If the enterprise fund is expected to make a transfer to the general government or to some other fund, then this sort of claim on the enterprise fund's assets may call for higher levels of working capital to maintain flexibility. Transfers could include an enterprise fund's contributions to overhead/support functions, subsidies granted to other operations, or any other transfer of resources. Regardless of the rationale of the transfer, governments should take into account the claim on working capital when setting a target amount.
- **Cash cycles.** Does the enterprise fund experience large peaks and valleys in its cash position during the year? For example, a water enterprise fund may experience significantly higher levels of cash on hand during the summer months compared to the winter. Volatile cash cycles call for higher levels of working capital. Another consideration is the length of the billing cycle. A longer billing cycle would call for higher levels of working capital because the enterprise fund will have longer durations between major infusions of cash.
- **Customer concentration.** Is the enterprise fund dependent on a few customers for a large portion of its revenues or is the customer base diversified? For example, a port enterprise fund may be dependent on a few major shippers or commerce in a niche product. Lower customer concentration may mean that the enterprise fund can safely operate with lower levels of working capital.
- **Demand for services.** Does the enterprise fund face a steady demand for service or is demand potentially volatile, thereby leading to volatility in of income? For example, the demand for utility services is steady compared to demand for air travel. Also consider the impact of competitive position on demand. Direct competitors or the availability of reasonable substitutes could lead to greater volatility in demand for the enterprise fund's services. More volatility implies greater need for working capital margins.

- **Control over rates and revenues.** Does the enterprise fund have the ability to change rates, implement new charges, or otherwise raise revenues from its customers in a simple fashion? For example, transit enterprise funds are often constrained from raising rates by political pressure. Other enterprise funds may be subject to a rate control board. Those that face competitors in their market may have less effective control over their rates and revenues. More revenue constrained enterprise funds may need higher levels of working capital.

[1] The recommendation is to use annual operating expenses which include depreciation expense. If, however, annual depreciation expense is significantly more or less than the anticipated capital outlays of the next period to be paid from working capital consideration should be given to adjusting the benchmark. An appropriate adjusted benchmark may be annual operating expenses – annual depreciation expense + capital outlays of the next period to be paid from working capital.
[*] Subject to the exception for heavily subsidized enterprises, described later in this Best Practice.

- **Asset age and condition.** What is the age and condition of the enterprise fund's infrastructure? Older infrastructure has greater exposure to extraordinary repair needs. Enterprise funds with newer and/or well maintained capital assets may be able to operate with less working capital than other enterprise funds.
- **Volatility of expenses.** Are the expenses of the enterprise fund volatile or does the enterprise fund have a high degree of control over its expenses? For example, the expenses of a solid waste enterprise fund tend to be fairly stable throughout the year. In another example, water or sewer enterprise funds may be more vulnerable to large expense spikes from extreme weather. Enterprise funds with more stable expenses can safely operate with less working capital than other enterprise funds.
- **Control over expenses.** Consider the enterprise fund's level of fixed and variable costs and the ability to reduce variable costs in response to lower revenues. For instance, if a convention center does not book an event, it does not need to hire temporary help and incur other expenditures in support of the event. An enterprise fund with a high percentage of operational costs which vary depending upon revenues or operating levels may operate with lower levels of working capital.
- **Management plans for working capital.** Working capital includes assets, which can include both truly unrestricted resources and resources that have internal limitations placed upon them (e.g., board-designated) and/or that may be committed for future capital spending. These amounts may appear as unrestricted on the balance sheet but, in actuality, may be unavailable in the future to serve as a buffer or tool to help manage financial risk. If these types of limitations exist, the working capital target should be adjusted to arrive at an amount that represents a true amount available as a tool to manage financial risk.
- **Separate targets for operating and capital needs.** Depending on the nature of the enterprise fund, governments might also consider designating separate targets for operating and capital needs, especially when the enterprise fund is very capital intensive. For example, there might be a separate amount identified for equipment replacement or debt service. In such a case, targets should be separately evaluated based on the particular features of the isolated amounts.
- **Debt position.** Enterprise funds often carry significant amounts of debt, which is used to acquire capital assets. The amount and type of debt an enterprise fund carries can have important ramifications for working capital targets. For example, an enterprise fund with a large amount of variable rate debt may need additional buffer to manage the risk associated with interest rate volatility. In addition, uneven and increasing or lump-sum debt principal payments to be made in future years may raise the amount of working capital that the enterprise fund should maintain. Viewing the amount of working capital in this broader context will help ensure that resources are available to make debt payments as they come due.

Approved by the GFOA's Executive Board, February, 2011.

BEST PRACTICE

Replenishing Fund Balance in the General Fund (2011) (Budget and CAAFR) (new)

Background. It is essential that governments maintain adequate levels of fund balance to mitigate risks and provide a back-up for revenue shortfalls.

The adequacy of unrestricted fund balance[1] in the general fund should be assessed based upon a government's specific circumstances. Nevertheless, the GFOA recommends, at a minimum, that general-purpose governments, regardless of size, incorporate in its financial policies that unrestricted fund balance in their general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures.

If fund balance falls below a government's policy level, then it is important to have a solid plan to replenish fund balance levels. Rating agencies consider the government's fund balance policy, history of use of fund balance, and policy and practice of replenishment of fund balance when assigning ratings. Thus, a well developed and transparent strategy to replenish fund balance may reduce the cost of borrowing. However, it can be challenging to build fund balances back up to the recommended levels because of other financial needs and various political considerations.

Recommendation. The Government Finance Officers Association (GFOA) recommends that governments adopt a formal fund balance policy that defines the appropriate level of fund balance target levels. Also, management should consider specifying the purposes for which various portions of the fund balances are intended. For example, one portion of the fund balance may be for working capital, one for budgetary stabilization, and one for responding to extreme events. This additional transparency helps decision makers understand the reason for maintaining the target levels described in the fund balance policy.

Governments should also consider providing broad guidance in their financial policies for how resources will be directed to fund balance replenishment. For example, a policy may define the revenue sources that would typically be looked to for replenishment of fund balance. This might include non-recurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and if there is defensible rationale). Year-end surpluses are an especially appropriate source for replenishing fund balance.

Finally, a government should consider including in its financial policy a statement that establishes the broad strategic intent of replenishing fund balances as soon as economic conditions allow. This emphasizes fund balance replenishment as a financial management priority.

Governments are subject to a number of factors that could require the use of fund balances. It is therefore incumbent on jurisdictions to minimize the use of fund balance, except in very specific circumstances. Replenishment should take place in a prompt fashion with amounts that have been used to ensure that the jurisdiction is properly prepared for contingencies. With the foundation of a financial policy in place, governments should use their long-term financial planning and budget processes to develop a more detailed strategy for using and replenishing fund balance. With these criteria in mind, the government should develop a replenishment strategy and timeline for replenishing fund balances as soon as possible, and that is still appropriate to prevailing budgetary and economic conditions and that considers the following:

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[1] Unrestricted fund balance comprises the committed, assigned, and unassigned fund balance categories.

1. The policy should define the time period within which and contingencies for which fund balances will be used. This gives the public a sense for how fund balance is being used as a “bridge” to ensure stable cash flow and provide service continuity.
2. The policy should describe how the government’s expenditure levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge.
3. The policy should describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished. Frequently, a key part of the replenishment plan will be to control operating expenditures and use budget surpluses to replenish fund balance. The replenishment plan might also specify any particular revenue source that will aid in the replenishment of fund balances. For example, if the government has a volatile sales tax yield, it might specify that yields that are significantly above average would be used to replenish fund balances.

Generally, governments should seek to replenish their fund balances within one to three years of use. However, when developing the specifics of the replenishment plan, governments should consider a number of factors that influence the rate and time period over which fund balances will be replenished. Factors influencing the replenishment time horizon include:

1. *The budgetary reasons behind the fund balance targets.* The government should consider special conditions that may have caused it to set its fund balance target levels higher than the GFOA-recommended minimum level. For example, if targets are higher because the community has very volatile cash flows, then the government would want to build the fund balances back up more quickly compared to governments with more stable cash flows.
2. *Recovering from an extreme event.* An extreme event, such as a natural disaster, that has required the government to use a portion of its fund balance, may make it infeasible to replenish the fund balance as quickly as normal, depending upon the severity of the event.
3. *Political continuity.* Replenishing fund balance takes political will, and that will is often strengthened by the memory of the financial challenge that caused the use of fund balances in the first place. If the governing board and/or management are already committed to a particular financial policy, the replenishment strategy should be as consistent as possible with that policy in order to maximize political support.
4. *Financial planning time horizons.* Fund balances should typically be replenished within the time horizon covered by the organization’s long-term financial plan. This puts the entire replenishment plan in context and shows the public and decision makers the expected positive outcome of the replenishment strategy.
5. *Long-term forecasts and economic conditions.* Expectations for poor economic conditions may delay the point at which fund balances can be replenished. However, in its replenishment plan the government should be sure to set a benchmark (e.g., after fund balances have dropped to a certain point below desired target levels) for when use of fund balance is no longer acceptable as a source of funds.
6. *Milestones for gradual replenishment.* A replenishment plan will likely be more successful if it establishes replenishment milestones at various time intervals. This is especially important if replenishment is expected to take place over multiple years (e.g., if you are starting from 75% of your target, set a goal to reach 80 percent of target in one year, 90 percent in two years, and 100 percent in three years).
7. *External financing expectations.* A replenishment plan that is not consistent with credit rating agency expectations may increase the government’s cost of borrowing. It is important that the logic used by the government to develop the replenishment plan be communicated in an effective fashion to external lenders.

References.

- GFOA Best Practice Appropriate Level of Unrestricted Fund Balance in the General Fund, 2009.
- For a fuller explanation of the concept of "bridging" in financial distress, please visit GFOA's financial recovery website at www.gfoa.org/financialrecovery.

Approved by the GFOA’s Executive Board, February, 2011.