City of Colleyville
Audit Committee
Agenda

City Hall
100 Main Street
Colleyville, Texas 76034
817.503.1000
www.colleyville.com

Tuesday, July 21, 2020 | City Manager's Conference Room
5:00 p.m. | Third Floor – City Hall

1. CALL TO ORDER

2. APPROVAL OF MINUTES
February 4, 2020

3. REGULAR AGENDA ITEMS

3a Discuss the Fiscal Year September 30, 2020, audit which will be conducted by the City's audit firm Weaver and Tidwell

3b Presentation of the Quarterly Investment Report for the quarter ended June 30, 2020

4. ADJOURNMENT

I hereby certify this agenda was posted on City Hall bulletin boards Friday, July 17, 2020, by 5:00 p.m.

Christine Loven, TRMC
City Secretary

A quorum of the Colleyville City Council and/or any other Colleyville Board, Commission, or Committee 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 Minutes

City Hall
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Tuesday, February 4, 2020 — City Manager's Conference Room
5:00 p.m. — Third Floor – City Hall

1. CALL TO ORDER

City Secretary Christine Loven called the Audit Committee to order on February 4, 2020 at 5:00 p.m.

ROLL CALL: Committee members present George Dodson, Kathy Wheat, Bobby Lindamood

ABSENT: Committee member Susan Mathisen

Also Present: Finance Director Kyle Lester, Accounting Manager Karen Hines, Assistant City Manager Mark Wood, and City Secretary Christine Loven

2. APPROVAL OF MINUTES

August 20, 2019
November 19, 2019

Committee member Dodson motioned to approve the minutes, Committee member Wheat seconded, the minutes were unanimously approved.

3. REGULAR AGENDA ITEMS

3a Discuss preliminary draft of FY19 Comprehensive Annual Financial Report

Jennifer Ripka and Kristen Derryberry of Weaver and Tidwell, reviewed the FY19 Comprehensive Annual Financial Report (CAFR) stating the City received an unmodified report, which is the highest available rating. They additionally noted the audit revealed no material weaknesses and there were no non-compliance issues. Ms. Ripka and Ms. Derryberry thanked staff for their cooperation and assistance and asked the committee members if there were questions.

There was a brief discussion of future leases entering into the debt ratio.

4. REPORTS

Presentation of the Quarterly Investment Report for the quarter ended December 30, 2019

Finance Director Kyle Lester reviewed the investment report, noting there was an increase in cash revenue of $2.5 million over the last quarter. There was a general review and discussion of the City's accounts, yields, and the market.

4. ADJOURNMENT

The meeting was adjourned at 5:20 p.m.

MINUTES APPROVED THIS 21ST DAY OF JULY, 2020.

Minutes taken and prepared by:

Christine Loven

Christine Loven, TRMC
City Secretary

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
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Agenda Number 3a **Agenda Date** 7/21/2020 **Number** 3a
Type Regular Agenda Items
Department City Manager

Title
Discuss the Fiscal Year September 30, 2020, audit which will be conducted by the City's audit firm Weaver and Tidwell

Explanation
Discuss the Fiscal Year September 30, 2020 audit which will be conducted by the City's audit firm Weaver and Tidwell

Attachments

City of Colleyville
Audit Committee
Agenda Briefing

City Hall
100 Main Street
Colleyville, Texas 76034
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Agenda Number 3b **Agenda Date** 8/20/2019 **Number**
Type Presentation
Department Finance

Title
Presentation of the Quarterly Investment Report for the quarter ended June 30, 2019

Explanation
Investment Summary for period ending June 30, 2019:

Cash & Cash Equivalents (Local Government Investment Pools) were $79,744,334. The total funds held by the City of Colleyville equaled $94,642,175 and were allocated as follows:

	Current as of 6/30/2019	Last Quarter as of 3/31/2019
Cash	$7,640,201.64	$5,209,518.86
Sweep	15,175,903.36	15,478,377.10
Commercial Paper Investment Pool	2,450,039.40	2,434,595.00
Government Only Investment Pool	54,478,189.52	54,152,102.00
Government Issuances	11,582,619.46	12,582,619.46
CDARS	2,571,221.46	2,571,221.46
Certificates of Deposit	744,000.00	744,000.00
Total Cash & Investments	**$94,642,175**	**$93,172,434**

Benchmark 2.13%

Investments As of 6/30/2019	
Sweep	2.28%
LOGIC Commercial Paper Investment Pool Average Quarterly Yield	2.54%
TexSTAR Government Only Investment Pool Average Quarterly Yield	2.40%
TexPOOL Government Only Investment Pool Average Quarterly Yield	2.41%
CLASS Government Only Investment Pool Average Quarterly Yield	2.42%
Total Government Only Investment Pool Average Quarterly Yield	2.41%
Average Weighted Yield: Agency	1.59%

Average Weighted Yield: CDARS	1.44%
Average Weighted Yield: CD'S	2.53%

Interest earnings for the quarter were $501,257 compared to 431,840 last quarter, an increase of 16%. The increase is due to the 24% increase in funds invested in Government only investment pools and switching to a higher yielding sweep account.

These percentages are within the guidelines of the City investment policy.

Attachments

1. Quarterly Investment Report

City of Colleyville, TX

Quarterly Investment Report

6/30/2020

Where is Colleyville's cash?			**3/31/2020**		**6/30/2020**		**Change**	**Weighted Maturity**
Cash/ Equivalents	Cash	$	5,211,219	$	24,748,493	$	19,537,274	Liquid
	Sweep Account	$	17,418,867	$	-	$	(17,418,867)	Liquid
	LOGIC (CP Permiss.)	$	2,486,676	$	2,490,550	$	3,874	Liquid
	Other Gov't Pools	$	51,915,733	$	50,952,898	$	(962,835)	Liquid
	Subtotal	**$**	**77,032,495**	**$**	**78,191,941**	**$**	**1,159,446**	
Bonds/CDs/Agencies	CD's	$	9,427,799	$	9,179,799	$	(248,000)	298 days
	CDARS	$	1,575,617	$	1,575,617	$	-	79 days
	Agencies	$	5,015,084	$	2,515,325	$	(2,499,759)	58 days
	Subtotal	**$**	**16,018,499**	**$**	**13,270,741**	**$**	**(2,747,759)**	**227 days**
	Total Resources	**$**	**93,050,994**	**$**	**91,462,681**	**$**	**(1,588,313)**	

Investments on the move…

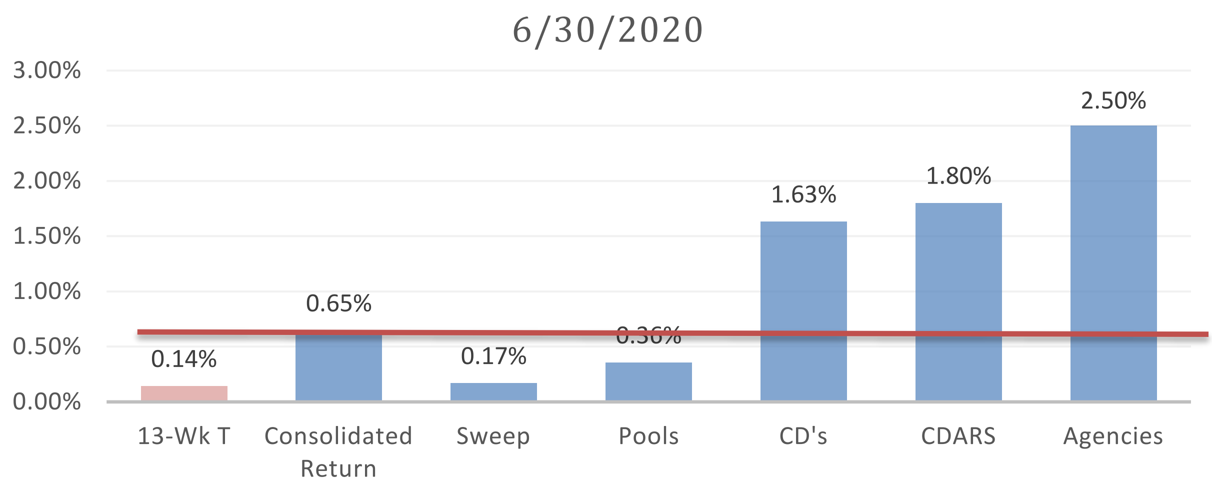
Since our last investment report, the City has had two agency securities and one CD mature, totaling $2.748 million in investments. Additionally, June marked the end of the City's banking relationship with Wells Fargo, as all cash was transferred over to Frost Bank as of June 30. For this entire quarter, staff has had to keep Colleyville's cash in both Wells Fargo and Frost Bank as we transitioned depository banks. This fact as well as very low interest rates necessitated keeping the aforementioned maturities in cash instead of reinvesting them. With the bank transition now complete, staff will evaluate reinvestment opportunities throughout this next quarter. Staff initially intended to invest in a sweep account at Frost, but the participation fees outweighed the current low rate. However, staff will revisit that decision in the future.

Diversity Snapshot vs. Policy Requirements

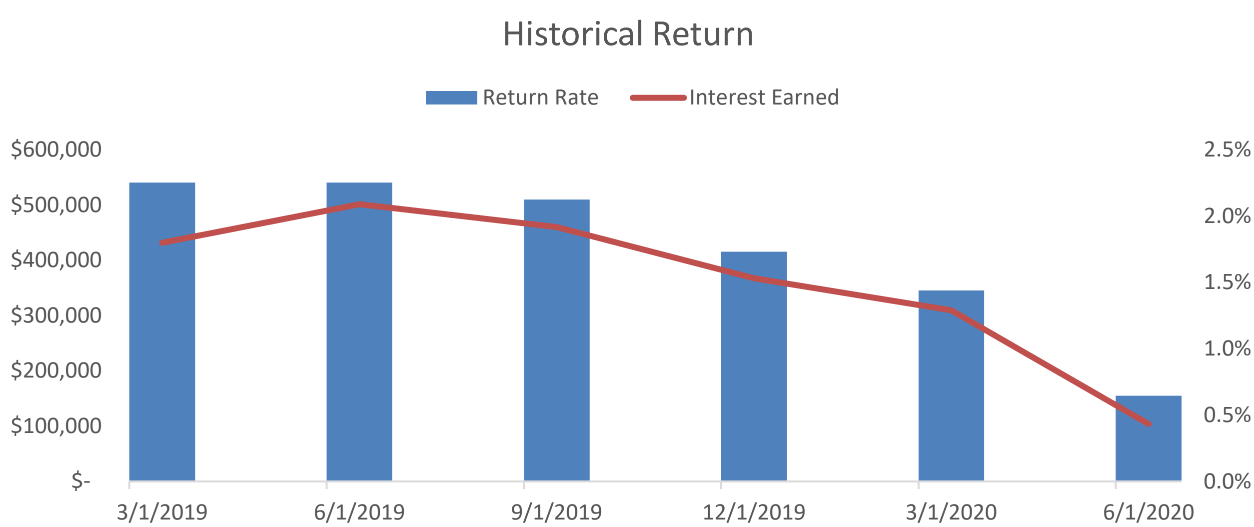
	Policy Max	**3/31/2020**	**6/30/2020**	Criteria Met?
U.S. Treasuries	100%	0%	0%	✓
U.S. Agencies	75%	5%	3%	✓
CD's	75%	10%	10%	✓
Local Gov't Pools	75%	58%	58%	✓
CDARs	75%	2%	2%	✓
Tri-Pty Repurchase	75%	0%	0%	✓
SEC Registered, No-Load Mutual Funds	10%	0%	0%	✓
Cash/Sweep	N/A	24%	27%	

How do our returns compare?

Benchmark = 13-Week Treasury



The City's total consolidated return is 0.65% as of June 30, 2020. While low, this does compare favorably with the 13-week treasury note benchmark put in place by Colleyville's investment policy, although our consolidated return has decreased substantially in recent months. The biggest reason for this is the COVID-19 pandemic, which prompted a a rate cut at the Federal Reserve affecting our pool and sweep account rates. Additionally, stock market volatility urged investors to flock to the fixed income markets, which further decreased returns.



Before the recent downturn Colleyville's investment returns had been climbing steadily since 2016, primary due to to more active investment practices. Although we are in a down-cycle in terms of returns, we've still been able to stay ahead of our 13-week treasury benchmark. Most importantly, Colleyville's funds are safe. While staff will continue to seek a solid yield on the portfolio, the highest value is placed on maintaining a low risk in order to ensure the safety and liquidity of the funds entrusted to us.

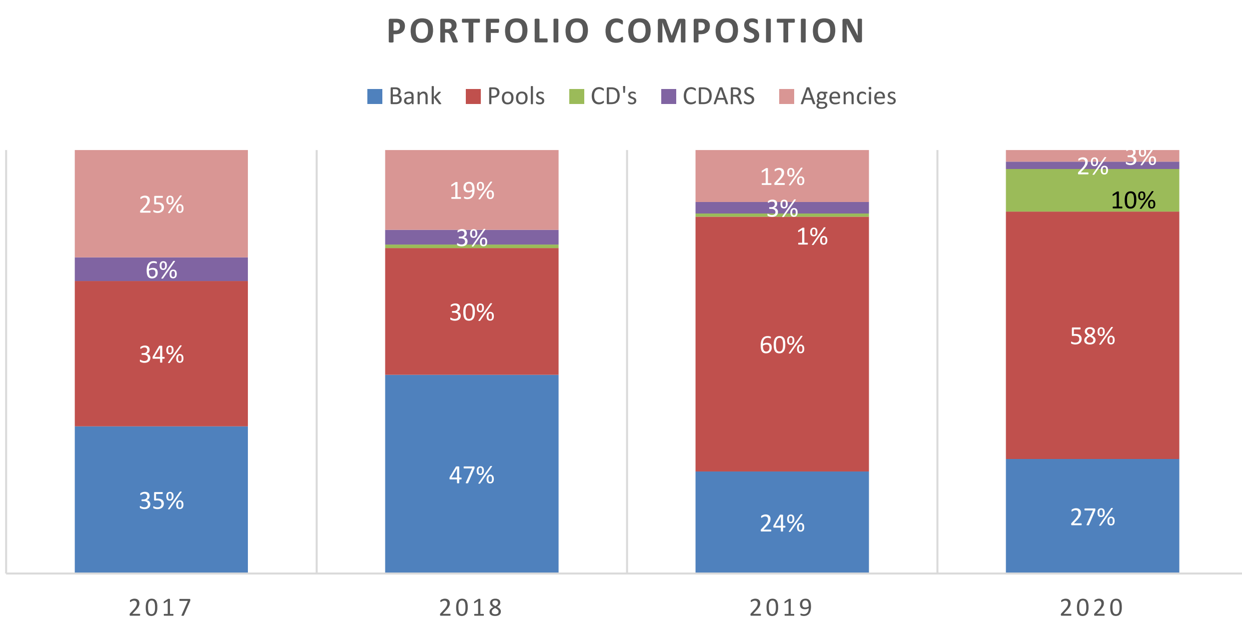
What have we earned the past three months? For the past year?

Current Total	
3/31/2020 Thru 6/30/2020	**$103,792; 0.65%**

Quarterly Average	
7/1/2019 Thru 6/30/2020	**$310,176; 1.49%**

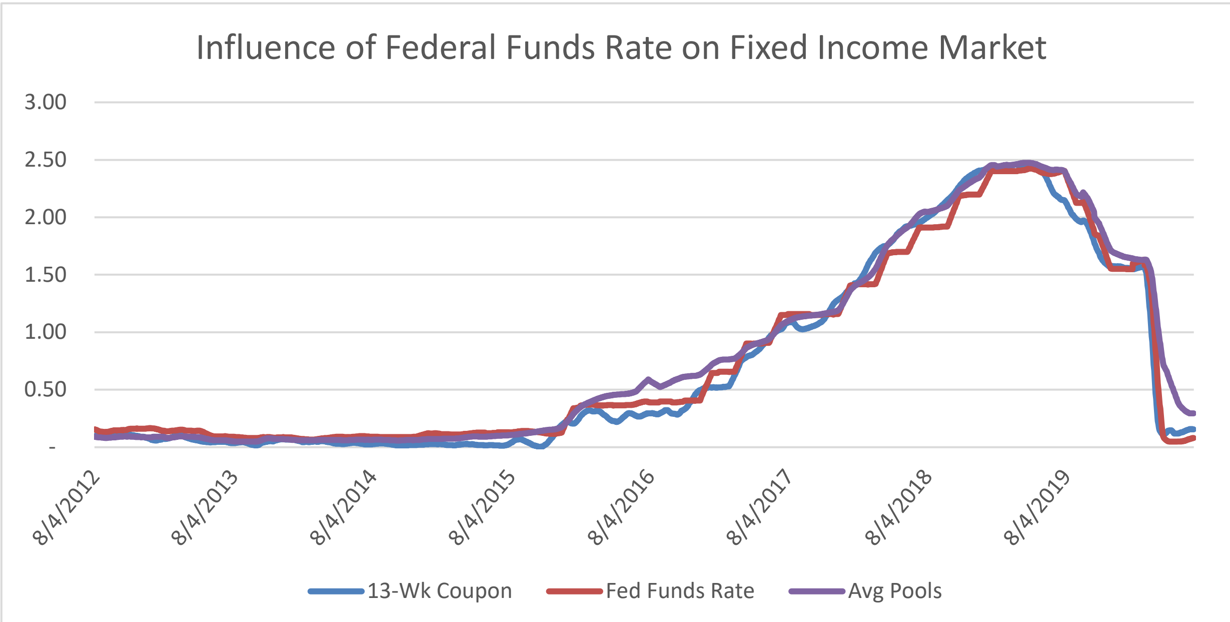
Compared to the average quarterly return for the past 12 months, the most recent quarter is showing a substantial decrease in both the rate of return and actual dollars earned. As noted, fixed-income rates have come down considerably as investors have flocked to the fixed income market amidst the global pandemic. Additionally, the transition to a new depository bank meant that staff was pre-empted from reinvestment opportunities for this quarter. However, it may be that rates remain at this level or lower through the next quarter. Regardless, staff will always monitor the market and manage Colleyville's portfolio with emphasis on diversity and cash-flow needs.

How has our portfolio changed over time?



As the graph above shows, the City has moved its investments away from agency securities and more toward local government pools. Money stored in these pools tends to earn a decent return compared to market while also having the benefit of being considered "liquid", as the City can withdraw its funds within 24 hours in most cases. However, the past two years has also brought a resurgence of higher certificate of deposit returns. While not heavily invested in CD's from a percentage standpoint, staff has begun to seek out these instruments as diversity and liquidity needs have allowed. Similarly, with agency debt dropping as a percentage of our portfolio, it may be advantageous to seek out those instruments as well from a diversity standpoint.

What influences our rate of return?



Per State law, Colleyville is only permitted to invest in certain fixed income securities, whos performance ties closely with the Federal Funds rate. As the chart above shows, the rates of our 13-week treasury benchmark as well as our pools tend to move in lock-step with the Federal Reserve's rate actions. This rate was cut five times in the past year and now remains at close to 0. How long it will remain there depends on the duration of our decreased economic activity, although we can likely expect very low rates for an extended period.

This investment report is in compliance with the Public Funds Investment Act as well as the City of Colleyville's investment policy and procedures.

For any questions or comments on this report, please contact
Kyle Lester, CGFO
City of Colleyville, TX
Finance Director 817-503-1014
klester@colleyville.com

Also included:
- Maturities/Purchases
- Investment Listing
- Mark-to-Market

Signed:

APPENDIX

What has matured this calendar year?

Investment		Par Amount	Purchase Date	Maturity Date	Yield to Maturity		Total Return
FFCB NOTE(3133EJCN7)	$	1,000,000	2/14/2018	2/14/2020	2.07%	$	20,700
FHLB NOTE(3130ADN32)	$	1,000,000	3/7/2018	2/11/2020	2.13%	$	21,273
FFCB NOTE(3133EJHL6)	$	1,000,000	4/9/2018	3/27/2020	2.30%	$	22,984
CD - BANK OF HOPE (06268	$	248,000	9/14/2018	3/16/2020	2.55%	$	6,324
CD - CITIBANK (17312QH51	$	248,000	3/29/2018	3/30/2020	2.50%	$	6,200
CD - GOLDMAN (38148PC54	$	248,000	4/11/2018	4/13/2020	2.55%	$	12,700
FHLB NOTE (313383HU8)	$	500,000	8/16/2019	6/12/2020	1.75%	$	7,216
FAMCA NOTE (3130A94N8)	$	2,000,000	12/4/2019	5/25/2020	1.71%	$	59,030
Total Matured	**$**	**6,244,000**			**2.03%**	**$**	**156,426**

What have we purchased this calendar year?

Investment		Par Amount	Purchase Date	Maturity Date	Yield to Maturity		Total Return
Brokered CD (FDIC #26876)	$	250,000	2/28/2020	3/10/2021	1.40%	$	3,500
Brokered CD (FDIC #34742)	$	249,000	2/28/2020	3/21/2022	1.40%	$	3,486
Brokered CD (FDIC #628)	$	248,000	2/11/2020	1/31/2022	1.75%	$	4,340
Brokered CD (FDIC #27389)	$	249,000	2/11/2020	2/22/2022	1.70%	$	4,233
Brokered CD (FDIC #110)	$	249,000	2/14/2020	5/14/2021	1.65%	$	4,109
Brokered CD (FDIC #58665)	$	249,000	2/28/2020	9/7/2021	1.55%	$	3,860
Brokered CD (FDIC #57803)	$	247,000	2/12/2020	1/31/2022	1.70%	$	4,199
Brokered CD (FDIC #58577)	$	246,000	2/6/2020	2/12/2021	1.60%	$	3,936
Brokered CD (FDIC #18503)	$	246,000	2/6/2020	2/12/2021	1.60%	$	3,936
Brokered CD (FDIC #35546)	$	249,000	2/28/2020	3/28/2022	1.55%	$	3,860
Brokered CD (FDIC #58978)	$	248,000	3/6/2020	3/28/2022	1.05%	$	2,604
Brokered CD (FDIC #33555)	$	248,000	3/6/2020	3/21/2022	0.98%	$	2,418
Brokered CD (FDIC #57565)	$	249,000	3/6/2020	3/11/2022	1.00%	$	2,490
Brokered CD (NCUA #68712)	$	249,000	3/10/2020	9/20/2021	1.00%	$	2,490
Brokered CD (FDIC #19581)	$	250,000	3/6/2020	3/21/2022	0.90%	$	2,250
STATE OF TEXAS NOTE (88	$	2,515,325	3/23/2020	8/27/2020	1.71%	$	42,896
Total Purchased	**$**	**6,241,325**			**1.52%**	**$**	**94,606**
Weighted Average Maturity				**436 days**			

APPENDIX

Full Investment Listing

Investment	Par Amount	Purchase Date	Maturity Date	Yield to Maturity	Total Return
Brokered CD (FDIC #26876)	$ 250,000	2/28/2020	3/10/2021	1.40%	$ 3,500
Brokered CD (FDIC #34742)	$ 249,000	2/28/2020	3/21/2022	1.40%	$ 3,486
Brokered CD (FDIC #628)	$ 248,000	2/11/2020	1/31/2022	1.75%	$ 4,340
Brokered CD (FDIC #27389)	$ 249,000	2/11/2020	2/22/2022	1.70%	$ 4,233
Brokered CD (FDIC #110)	$ 249,000	2/14/2020	5/14/2021	1.65%	$ 4,109
Brokered CD (FDIC #58665)	$ 249,000	2/28/2020	9/7/2021	1.55%	$ 3,860
Brokered CD (FDIC #57803)	$ 247,000	2/12/2020	1/31/2022	1.70%	$ 4,199
Brokered CD (FDIC #58577)	$ 246,000	2/6/2020	2/12/2021	1.60%	$ 3,936
Brokered CD (FDIC #18503)	$ 246,000	2/6/2020	2/12/2021	1.60%	$ 3,936
Brokered CD (FDIC #35546)	$ 249,000	2/28/2020	3/28/2022	1.55%	$ 3,860
Brokered CD (FDIC #58978)	$ 248,000	3/6/2020	3/28/2022	1.05%	$ 2,604
Brokered CD (FDIC #33555)	$ 248,000	3/6/2020	3/21/2022	0.98%	$ 2,418
Brokered CD (FDIC #57565)	$ 249,000	3/6/2020	3/11/2022	1.00%	$ 2,490
Brokered CD (NCUA #68712)	$ 249,000	3/10/2020	9/20/2021	1.00%	$ 2,490
Brokered CD (FDIC #19581)	$ 250,000	3/6/2020	3/21/2022	0.90%	$ 2,250
STATE OF TEXAS NOTE (88	$ 2,515,325	3/23/2020	8/27/2020	1.71%	$ 42,896
Brokered CD: FDIC 16022	$ 249,675	9/18/2019	9/11/2020	1.75%	$ 4,297
CDARS (Worthington Bank)	$ 1,575,617	9/18/2019	9/17/2020	1.80%	$ 28,361
Brokered CD: FDIC 16571	$ 247,000	9/19/2019	10/20/2020	1.80%	$ 4,836
Brokered CD: FDIC 35141	$ 247,000	9/19/2019	10/27/2020	1.85%	$ 5,058
Brokered CD: FDIC 32992	$ 245,000	9/19/2019	9/25/2020	1.80%	$ 4,495
Brokered CD: FDIC 34221	$ 245,000	9/19/2019	9/25/2020	1.80%	$ 4,495
Brokered CD: FDIC 34775	$ 245,000	9/19/2019	9/25/2020	1.85%	$ 4,619
Brokered CD: FDIC 2270	$ 247,000	9/19/2019	12/24/2020	1.80%	$ 5,628
Brokered CD: FDIC 58647	$ 245,000	10/4/2019	10/9/2020	1.75%	$ 4,288
Brokered CD: FDIC 27237	$ 245,000	10/4/2019	10/9/2020	1.75%	$ 4,288
Brokered CD: FDIC 12855	$ 245,000	10/4/2019	10/9/2020	1.75%	$ 4,288
Brokered CD: FDIC 58658	$ 249,000	10/4/2019	10/9/2020	1.75%	$ 4,358
Brokered CD: FDIC 3511	$ 249,000	10/4/2019	4/19/2021	1.90%	$ 4,731
Brokered CD: FDIC 57777	$ 245,000	10/4/2019	10/16/2020	1.75%	$ 4,288
Brokered CD: FDIC 58243	$ 250,000	10/4/2019	1/19/2021	1.70%	$ 4,250
Spirit of Texas Bank CD	$ 1,000,000	10/24/2019	4/24/2021	1.85%	$ 18,500
Spirit of Texas Bank CD	$ 1,000,000	12/5/2019	12/5/2020	1.79%	$ 17,900
	$ 13,270,617			**1.67%**	**$ 223,282**
Weighted Average Maturity			**227 days**		

APPENDIX

Mark-to-Market

Investment	Purchase Price	3/31/2020 Market Value	6/30/2020 Market Value	Unrealized Gain/(Loss) since Purchase
Brokered CD (FDIC #26876)	$ 250,000	$ 250,430	$ 252,224	$ 2,224
Brokered CD (FDIC #34742)	$ 249,000	$ 249,256	$ 254,147	$ 5,147
Brokered CD (FDIC #628)	$ 248,000	$ 248,598	$ 248,325	$ 325
Brokered CD (FDIC #27389)	$ 249,000	$ 250,676	$ 255,150	$ 6,150
Brokered CD (FDIC #110)	$ 249,000	$ 250,076	$ 252,262	$ 3,262
Brokered CD (FDIC #58665)	$ 249,000	$ 249,906	$ 253,069	$ 4,069
Brokered CD (FDIC #57803)	$ 247,000	$ 248,635	$ 252,896	$ 5,896
Brokered CD (FDIC #58577)	$ 246,000	$ 246,910	$ 248,278	$ 2,278
Brokered CD (FDIC #18503)	$ 246,000	$ 246,910	$ 248,278	$ 2,278
Brokered CD (FDIC #35546)	$ 249,000	$ 249,984	$ 254,852	$ 5,852
Brokered CD (FDIC #58978)	$ 248,000	$ 246,539	$ 251,680	$ 3,680
Brokered CD (FDIC #33555)	$ 248,124	$ 246,326	$ 251,435	$ 3,311
Brokered CD (FDIC #57565)	$ 249,000	$ 247,352	$ 252,384	$ 3,384
Brokered CD (NCUA #68712)	$ 249,000	$ 247,922	$ 251,515	$ 2,515
Brokered CD (FDIC #19581)	$ 250,000	$ 247,822	$ 253,016	$ 3,016
STATE OF TEXAS NOTE (88:	$ 2,515,325	$ 2,528,200	$ 2,530,065	$ 14,740
Brokered CD: FDIC 16022	$ 249,675	$ 250,792	$ 250,831	$ 1,156
CDARS (Worthington Bank)	$ 1,575,617	$ 1,575,617	$ 1,575,617	$ -
Brokered CD: FDIC 16571	$ 247,000	$ 248,023	$ 248,287	$ 1,287
Brokered CD: FDIC 35141	$ 247,000	$ 248,124	$ 248,408	$ 1,408
Brokered CD: FDIC 32992	$ 245,000	$ 245,894	$ 245,992	$ 992
Brokered CD: FDIC 34221	$ 245,000	$ 245,894	$ 245,992	$ 992
Brokered CD: FDIC 34775	$ 245,000	$ 245,953	$ 246,022	$ 1,022
Brokered CD: FDIC 2270	$ 247,000	$ 248,282	$ 249,033	$ 2,033
Brokered CD: FDIC 58647	$ 245,000	$ 245,889	$ 246,117	$ 1,117
Brokered CD: FDIC 27237	$ 245,000	$ 245,889	$ 246,117	$ 1,117
Brokered CD: FDIC 12855	$ 245,000	$ 245,889	$ 246,117	$ 1,117
Brokered CD: FDIC 58658	$ 249,000	$ 249,904	$ 250,113	$ 1,113
Brokered CD: FDIC 3511	$ 249,000	$ 250,678	$ 252,516	$ 3,516
Brokered CD: FDIC 57777	$ 245,000	$ 245,916	$ 246,193	$ 1,193
Brokered CD: FDIC 58243	$ 250,000	$ 251,125	$ 252,173	$ 2,173
Spirit of Texas Bank CD	$ 1,000,000	$ 1,005,996	$ 1,010,846	$ 10,846
Spirit of Texas Bank CD	$ 1,000,000	$ 1,005,996	$ 1,010,846	$ 10,846
	$ 13,270,741	**$ 13,311,405**	**$ 13,380,794**	**$ 110,053**

APPENDIX

Note about mark-to-market: This analysis takes a snapshot look at each of the securities Colleyville holds and values them based on what the market would pay for them today. An unrealized gain in market value would indicate the security's value has gone up since the last mark-to-market, and an unrealized loss would indicate the value has gone down. However, the City of Colleyville's strategy is to buy securities and hold them to maturity to receive the agreed-upon interest payments (known as "buy and hold"). Therefore, any change in market value will not be realized by the City. The primary purpose of this analysis, as required by the Public Funds Investment Act, is to demonstrate the current market value of the City's portfolio should we need to liquidate it in the case of an emergency. This scenario is extremely unlikely, given the prudence Colleyville's leaders have shown in their financial decisions. It is important to remember this when looking at our quarterly mark-to-market analysis.