



Financial Management Policy

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City of Albany
Introduction

The City of Albany is updating its Financial Management Policy in 2021. Policy changes may be needed as the City and its citizen base changes and becomes more diverse and complex. Following these principles will enhance the City's image and credibility with the public, credit rating agencies, and investors. Many of the people and businesses who deal with the City (including the rating agencies) take comfort that the City establishes, adheres to, and periodically updates its guiding financial policies. It is important to engage regularly in the process of financial planning, including reaffirming and updating these financial guidelines.

The Financial Management Policy applies to the City of Albany. Downtown Development Authority, Albany-Dougherty Inner City Authority, and the Parks at Chehaw may have separate policies established by their respective boards.

City of Albany
Table of Contents

<u>Policy</u>	<u>Section</u>
Fund Balance.....	I
Fiscal Planning.....	II
Revenues	III
Capital Improvement Program and Capital Assets	IV
Debt Management	V
Investments	VI
Internal Control and Financial Reporting.....	VII
Risk Management	VIII
Fraud	IX
Grants.....	X
Policy Review.....	XI
Glossary	XII

City of Albany
Section I - Fund Balance

Fund balance measures the net financial resources available to finance expenditures of future periods. Rating agencies examine fund balance when considering the overall economic health of the City and the credit quality of the City.

I. Restricted and Nonspendable Fund Balance

Some portions of fund balance may not be available for spending. Nonspendable Fund Balance is made up of assets that are not in the form of cash, such as accounts receivable, prepaid items, and inventories. Restricted Fund Balance has limitations imposed by creditors, grantors, contributors, or laws and regulations of *other* governments.

II. Committed Fund Balance

A. The City shall maintain a portion of the General Fund's Fund Balance as a Revenue Stabilization Fund.

1. The Revenue Stabilization Fund may be used to cover a portion of local and regional economic downturns, unexpected declines in General Fund revenues, or unanticipated increases in General Fund expenditures as compared to the current adopted fiscal plan. If the Revenue Stabilization Fund is used, the City will take measures necessary to replenish its balance to the minimum level described within five years following the year(s) in which it was used. The plan to restore the Revenue Stabilization Fund shall be included and highlighted in the City's Annual Budget.
2. The Revenue Stabilization Fund can only be appropriated by a resolution of the Board of Commissioners *before the end of the fiscal year* in the form of a budget amendment.
3. Except for the provisions contained in Section I No. II A.5, the Revenue Stabilization Fund will not be less than five percent (5%) of the year's General Fund revenues within each fiscal planning cycle.
4. Funds in excess of five percent (5%) of the annual requirement of Section I, No. II A.3 above may be retained in the Revenue Stabilization Fund, or may be transferred to the Unassigned General Fund Balance described in Section I No. IV.

5. In the event of a local or regional emergency, the entire balance of the Revenue Stabilization Fund may be appropriated by a resolution of the Board of Commissioners to provide for additional temporary funding of unforeseen emergency needs.
- B. A working capital reserve will also be established to provide the City with sufficient cash flow to meet current obligations.
1. The working capital reserve will be maintained in an interest-bearing account in cash or short-term investments and will not be less than ten percent (10%) of the year's General Fund revenues within each fiscal planning cycle (See Investment Policy - Section VI). If the working capital reserve is used, the City will take measures necessary to replenish its balance to the minimum level within one year using property tax collections or other available revenues. If, for any reason, the Chief Financial Officer determines that it will not be possible to restore the working capital reserves to the minimum within one year, he/she will submit a written notification to the Commission that includes a plan for how the reserve will be replenished.
 2. The working capital reserve can only be utilized with the signed approval of the City Manager. When the cash reserve funds are used, the City Manager will notify the Mayor and Board of Commissioners in writing within three working days.

III. Assigned Fund Balance

- A. Assigned Fund Balance describes the portion of Fund Balance that reflects the City's intended use of resources.
- B. Acceptable reasons to assign fund balance might be to supplement "pay as you go" capital expenditures, provide for technology improvements, or to retire debt.
- C. Assigned Fund Balance may also be used to reflect the appropriation of existing Fund Balance to eliminate a projected deficit in the following year's budget.

IV. Unassigned Fund Balance

- A. Unassigned Fund Balance may occur only in the General Fund and represents the residual fund balance after nonspendable, restricted, committed, and assigned fund balances are subtracted.

- B. The City will maintain a minimum level of unassigned fund balance in the General Fund equivalent to 33% of regular, on-going General Fund operating expenditures (including Transfers Out). Amounts above the policy level may be used for one-time uses. Any use of the reserve below the guideline will be replenished within three years. Prior to recommending use of the reserve, the City Manager will explain the budgetary actions taken by staff to address the financial need and minimize the amount needed from the reserve as well as the plan to replenish the fund to the policy level within three years.

City of Albany
Section II - Fiscal Planning

The budget is one of the most important documents the City prepares since it identifies the services to be provided and how the services are to be financed.

- I. The City Manager shall submit to the Mayor and Board of Commissioners a Recommended Annual Budget, including revenue and expenditure projections. The budget that will be submitted by the City Manager shall be in compliance with O.C.G.A. §36-81-1 through 36-81-10 and Chapter 2 Article VI of the City of Albany Code.

- II. The Annual General Fund Budget adopted by the Mayor and Board of Commissioners shall be balanced.
 - A. The City Manager will budget revenues and expenditures on the basis of a fiscal year which begins July 1 and ends on the following June 30.

 - B. The City Manager will prepare a budget in accordance with the guidelines established by the Government Finance Officers Association in its Distinguished Budget Award Program.

 - C. The Annual Budget will contain the following:
 1. Revenue estimates by major category;
 2. Expenditure estimates by program levels and major expenditure categories;
 3. Debt service summarized by issues detailing principal and interest amounts by fund.

 - D. The Annual Budget will also contain information regarding:
 1. Personnel staffing levels;
 2. A detailed schedule of capital projects;
 3. Any additional information, data, or analysis requested of management by the Mayor and Board of Commissioners.

 - E. The Mayor and Board of Commissioners will adopt the Annual Budget no later than June 30 of the previous fiscal year.

 - F. Informal monthly financial statements will be produced and reviewed by the Finance Department and distributed to executive and senior management.

 - G. A quarterly report on budget status and trends will be presented to the City Manager within 30 days of the end of each quarter. In addition, the

quarterly report shall include revenue and expenditure projections through the end of the fiscal year.

- H. The City will fund current expenditures with current revenues and other resources.
- I. The City will not balance the current budget at the expense of meeting future years' expenditures; for example, the City will not accrue future years' revenues or roll over short-term debt to avoid planned retirement.
- J. If a deficit is projected during any fiscal year, the City will take steps to reduce expenditures, increase revenues or, if a deficit is caused by an emergency, consider using the Revenue Stabilization Fund and/or the Unassigned General Fund Balance, to the extent necessary to ensure a balanced budget at the close of the fiscal year.
- K. The City will annually appropriate a Contingency Budget in the City Manager's cost center to provide for unanticipated increases in service delivery costs and for unforeseen needs that may arise throughout the fiscal year. No other department will appropriate a contingency expenditure in their budget.
- L. Officials and department heads are required to monitor revenues and control expenditures to prevent exceeding the amount of local tax support budgeted for their department and their total departmental expenditure budget.
- M. The City will maintain a Capital Equipment Replacement Schedule which provides a five-year estimate of the funds necessary to maintain and replace the City's capital equipment. The Capital Equipment Replacement Schedule will be updated as part of the Capital Improvement Program planning process.

City of Albany
Section III - Revenues

The City collects revenues from many sources, such as property taxes and sales taxes, to provide services and meet operational needs. The structure, fluctuation, and collection of revenues are examined by rating agencies to determine the City's credit quality.

- I. The City will strive to maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

- II. Major revenue sources should be based on the following principles:
 - A. Revenue sources should provide appropriate treatment of taxpayers at different economic levels.

 - B. Revenue sources should treat taxpayers with the same income or wealth equally.

 - C. Revenue sources should not unduly influence economic decisions by consumers or businesses except for targeted development or redevelopment programs approved by the Board of Commissioners.

 - D. Revenue administration and enforcement should not absorb an undue percentage of revenue collected.

- III. The City will monitor all taxes and fees to ensure they are equitably administered and collections are timely and accurate. The City will aggressively collect all revenues and related penalties and interest as authorized by the Code of Georgia.

- IV. The City will periodically recalculate the full costs of providing services in order to provide a basis for setting the associated service charge or fee. Full cost shall incorporate direct and indirect costs, including operations and maintenance, overhead, and charges for use of capital facilities, thereby setting fees at a level that is related to the cost of producing the good or service, unless otherwise restricted by law. The City will examine current competitive rates periodically and establish new charges and fees as needed and as permitted by law. It is recognized that occasionally competing policy objectives may result in user fee levels that recover only a portion of service costs. The operating transfer from the Utility Funds will be calculated at the established % of the fund's operating revenue in the month in which the operating revenue is recognized.

- V. The City Manager will provide the Mayor and Board of Commissioners with an estimate of the City's revenues annually for the upcoming fiscal year.

- VI. The City will pursue intergovernmental aid, including grants, for those programs and activities that address a recognized need and are consistent with the City's long-range objectives. The City will attempt to recover all allowable costs associated with those programs. Any decision to pursue intergovernmental aid should be consistent with the City's Grants Management Policies and Procedures Manual and include the consideration of the following:
 - A. Present and future funding requirements;

 - B. Cost of administering the funds;

 - C. Costs associated with special conditions or regulations attached to the grant award;

 - D. When grant revenues are reduced or eliminated, the program or project they supported will be reduced by a commensurate amount.

- VII. Nonrecurring revenues should be used for nonrecurring capital expenditures, extraordinary expenditures, or the early retirement of existing City debt.

City of Albany

Section IV - Capital Improvement Program and Capital Assets

The City's assets are held primarily in the form of infrastructure or capital assets, such as roads, buildings, rolling stock, and equipment. The City will undertake capital purchases to: 1) maintain and improve infrastructure, 2) promote economic development, 3) improve delivery of services, 4) improve efficiency and cost-effectiveness, and 5) preserve historical assets.

Dedicating resources to capital investment is appropriate for the City of Albany. Committing to and implementing the City's capital investment program will protect its capital assets and minimize future maintenance and replacement costs.

- I. The City will invest a minimum of 15% of the General Fund sales tax revenues collected annually in the Capital Improvement Program (CIP) Fund. The amount invested can be in the form of debt service or some other funding source. The City will direct its annual allocation for its capital investments to City projects which best support the City's strategic goals, the comprehensive plan, and facility master plan.

- II. The City Manager will annually submit a five-year Capital Improvement Program for review by the Mayor and Board of Commissioners. The first year of the Capital Improvement Plan is considered to be the Capital Budget and becomes effective on July 1 of each year. Approval and adoption of the Capital Budget by the Mayor and Board of City Commissioners constitutes authorization for the expenditure of City funds for these acquisitions. The Capital Improvement Plan may include capital improvements for all agencies for which the City sets tax rates, makes levies, or approves budgets or programs. The Capital Improvement Program shall include the following elements:
 - A. An implementation program for each of the capital improvements.
 - B. A statement of the objectives of the Capital Improvement Program and the relationship with the comprehensive plan and the City's strategic plan.
 - C. An estimate of the cost and of the anticipated sources of revenue for financing the capital improvements.
 - D. An estimate of the impact of each capital improvement on City revenues and the capital and operating budgets, including estimated debt service costs, if applicable.

- III. The City will fund programs and activities identified in the Capital Improvement Program with the most appropriate revenue sources. User fees generated from Fleet, Solid Waste, Water, Gas, Light, Telecom, Storm Water, and Sanitary Sewer, are to be used exclusively for the purpose for which they were paid. The Chief Financial Officer shall provide direction on fiscally responsible funding methodology.
- IV. The City will return to the capital reserve fund any remaining appropriated funds upon the completion of any capital project.
- V. When current revenues or resources are available for capital improvement projects, consideration will be given first to those capital assets with the shortest useful life and/or to those capital assets whose nature makes them comparatively more difficult to finance with bonds or lease financing.

Section V - Debt Management

The City will maintain a high credit rating in the financial community to: 1) assure the City's taxpayers that the City government is well managed and financially sound; 2) obtain reduced borrowing costs. The City will consider long-term debt financing when appropriate.

- I. The City will consider the project and its useful life and utilize the most appropriate method to finance the project. Financing may include debt financing, "pay as you go" and/or other financing sources.
- II. Whenever the City finds it necessary to issue tax supported bonds, the following policy will be adhered to:
 - A. Tax supported bonds will be issued on a competitive basis whenever feasible unless market conditions favor negotiated sales.
 - B. Long-term general obligation bond issues and annual appropriation debt will be structured to allow level debt service, with principal being reduced each year.
 - C. Including the advanced funding of SPLOST projects, direct net debt as a percentage of estimated fair market value of all taxable property shall not exceed 1.75%
 - D. Direct Net Debt Service as a percentage of Total Governmental Fund Expenditures shall not exceed 12% for total debt service without SPLOST and 15% including SPLOST.
 - E. Total bonded debt will not exceed 10% of the total assessed valuation of taxable real and personal property in the City.
 - F. Bond financing will be confined to projects which would not otherwise be financed from current revenues.
 - G. The term of any bond note or lease obligation issue will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

- III. The City shall comply with all U.S. Internal Revenue Service rules and regulations regarding issuance of tax exempt debt including arbitrage rebate requirements for bonded indebtedness, and with all Securities and Exchange Commission requirements for continuing disclosure of the City's financial condition, and with all applicable Municipal Securities Rulemaking Board requirements.
- IV. The City shall comply with all requirements of the Official Code of Georgia Annotated (O.C.G.A.) Title 36 Chapter 82 and other legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.
- V. The City shall employ the principles of this Financial Management Policy in any request from a City agency, outside jurisdiction, or authority for the issuance of debt.
- VI. The issuance of variable rate debt by the City will be subject to the most careful review and will be issued only in a prudent and fiscally responsible manner.
- VII. The City will adhere to the following guidelines when it finds it necessary to issue revenue bonds:
 - A. For any bonds or lease anticipation or appropriation debt in which the debt service is partially paid from revenue generated by the project and partially paid from tax sources, the portion of the bond or lease to the extent that its debt service is paid from non-tax sources shall be deemed to be revenue bonds and are excluded from the calculation of the annual debt service limitation in Policy II C and II E.
 - B. Revenue bonds of the City and any of its agencies will be analyzed carefully by the Department of Finance and its financial advisors for fiscal soundness. The issuance of City revenue bonds will be subject to the most careful review and must be secured by covenants sufficient to protect the bondholders and the credibility of the City.
 - C. Revenue bonds will be issued on a competitive basis whenever feasible and will be structured to allow for equal debt service; however, when appropriate, the City may use a "ramped" or "wrapped" debt service structure to achieve overall debt service to match the anticipated revenue derived from the underlying security of bonds.
 - D. Reserve funds will be utilized as appropriate to further enhance the City's ability to pay future debt obligations.

- E. Interest earnings on the reserve fund balances will only be used to pay debt service on the bonds.
- F. The term of any revenue bond or lease obligation issue will not exceed the useful life of the capital project or equipment for which the borrowing is intended.
- G. Net revenues after operational expenditures shall be at least 1.50 times debt service requirements with a target of 1.75 times. The excess revenues will be available to first maintain the Utilities Fund Balance and second to fund future capital projects of the Utility Funds.
- H. Cash balance of at least 25% (90 days cash on hand) with a goal of 50% (180 days cash on hand) of the 3-year rolling average of the sum of annual operating & maintenance expenditures including transfers out plus debt service.

VIII. The City will not use long term debt financing to fund current operations.

- IX. The City does not intend to issue Bond Anticipation Notes (BAN), or Revenue Anticipation Notes (RAN) for a period longer than two years. If the BAN is issued for a capital project, the BAN will be converted to a long-term bond or redeemed at its maturity. If the City issues a Tax Anticipation Note (TAN), it will be paid in full by the last business day of the calendar year.

City of Albany
Section VI - Investments

A strong investment policy ensures safeguarding and maximizing the income earned on liquid assets. Cash, liquidity, and investment management activities shall be conducted prudently.

I. Policy Statement

It is the policy of the City of Albany that the administration of its funds and the investment of those funds shall be handled as the highest public trust. Investments shall be made in a manner that will provide the maximum security of principal invested, employing limitations on maturities and diversification of the portfolio while meeting the daily cash flow needs of the government and conforming to all applicable federal, state, and local government statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to safety and liquidity requirements. It is the intent of the City of Albany to be in complete compliance with all laws. The earnings from investment will be used in a manner that best serves the public trust and interests of the City of Albany.

II. Scope

This investment policy applies to all the financial assets and funds held by the City of Albany. The policy excludes pension fund assets held by a third party custodian and/or money manager. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. Other than these restricted funds, the City of Albany commingles its assets from all funds for investment purposes only. These funds are defined in the Comprehensive Annual Financial Report (CAFR) and include the following:

- A. General Fund
- B. Special Revenue Fund
- C. Capital Project Fund
- D. Proprietary Fund
- E. Other funds which may be created from time to time
- F. Any new funds created by the City of Albany unless specifically exempted by the Mayor and Board of Commissioners and this policy.

Although the funds may be commingled for investment purposes, the interest will be assigned to the proper fund and deposited into the related bank account.

III. Objectives and Strategy

It is the first objective of the City of Albany that all funds shall be managed and invested with four primary objectives, listed in order of their priority: safety, liquidity, diversification, and yield. These objectives encompass:

A. Safety of Principal

Safety of Principal is the foremost objective of the City of Albany. Investments of the City of Albany shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Each transaction shall seek to ensure that capital losses are avoided, whether they be from securities defaults or erosion of market value. To obtain this goal or objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The suitability of each investment decision will be made on the basis of these objectives.

B. Liquidity

The City of Albany's investment portfolio will remain sufficiently liquid and structured to enable it to meet all operating requirements that might be reasonably anticipated to pay obligations as they become due.

C. Diversification

Diversification of the portfolio will include diversification by maturity and market sector and will include competitive bidding in the selection and retention of investment advisors/managers.

D. Yield

The City of Albany's investment portfolio shall be designed with the objective of attaining market rate of return throughout budgetary and economic cycles, taking into account the risk constraints and the cash flow of the portfolio.

Effective cash management is recognized as essential to good fiscal management. The City of Albany shall maintain a comprehensive cash management program that includes collection of accounts receivable, prudent investment of its available cash, disbursement of payments in accordance with invoice terms, and the management of banking services.

IV. Legal Limitations, Responsibilities, and Authority

Funds of the City of Albany will be invested in compliance with the provisions of Georgia Code Section 36-83-4 and in accordance with these policies and written administrative procedures. Certain funds have outstanding bond issues that have specific investment policies contained within the bond ordinances and official statements. Those policies will be adhered to and are not in conflict with the terms of this policy.

V. Delegation of Investment Authority

The Chief Financial Officer of the City of Albany, acting on behalf of the Mayor and City Commissioners, is designated as the Investment Officer of the City of

Albany and is responsible and shall establish procedures for the operation of the investment management decisions and program activities. The Mayor and City Commissioners are responsible for considering the quality and capability of staff, investment advisors, and consultants involved in the investment management and procedures. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

The Chief Financial Officer shall develop and maintain written administrative procedures for the operation of the investment program that are consistent with this investment policy. Procedures will include such references as safekeeping, collateralization, any wire transfer agreements, banking services contracts, and other investment related activities.

The Chief Financial Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and staff.

The Chief Financial Officer shall designate a staff person as a liaison/deputy in the event circumstances require timely action and the Investment Officer is not available.

No officer or designee may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer and approved by the Mayor and City Commissioners.

VI. Limitation of Liability

Finance Department personnel acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for the speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

VII. Internal Controls

The Chief Financial Officer shall establish a system of written internal controls that will be reviewed annually with the City of Albany's independent auditor. The controls shall be designed to prevent loss of public funds due to fraud, employee error, and misrepresentation by third parties, unanticipated market changes, or imprudent actions by employees of the City of Albany.

Cash flow forecasting

Cash flow forecasting is designed to protect and sustain the City of Albany's cash-flow requirements. Supplemental to the financial and budgetary systems, the Chief Financial Officer will maintain a cash-flow forecasting process designed to monitor and forecast cash positions for investment purposes. Cash flow will include the historical researching and monitoring of specific cash-flow items, payables and receivables, as well as overall cash position and patterns.

VIII. Authorized Investments

Acceptable instruments under this policy shall be limited to the instruments listed below. The investments are to be chosen in a manner that promotes diversity or market sector and maturity. The choice of high-grade government investments and high grade, money market instruments is designed to ensure the marketability of those investments should liquidity needs arise.

- A. Obligations of the United States Government, its agencies, and government-sponsored enterprises, not to exceed a portfolio average of four years to stated maturity. This calculation specifically excludes collateralized mortgage obligations (CMOs).
- B. Certificates of Deposit. Fully insured or collateralized certificates of deposit under the terms of a written depository agreement with the bank, not to exceed one year to the stated maturity.
- C. Repurchase Agreements. Repurchase agreements not to exceed 180 days to stated maturity provided an executed Master Repurchase Agreement is on file with the City of Albany and the counter party bank.
- D. Agency Funds. Obligations fully insured or guaranteed by the US government or by a government agency of the United States.
- E. Georgia Fund 1. The Mayor and City Commissioners may use the Georgia Fund 1 fund offered by the State of Georgia upon the adoption of a resolution for the initial use of the Fund.

If additional types of securities are approved by state statutes for investment by local governments of public funds, they will not be eligible for investment by the City of Albany until this policy has been amended and the amended version approved by the local governing board.

IX. Authorized Financial Dealers and Institutions

Upon request, banks shall provide their most recent "Consolidated Report of Condition" (Call Report). At a minimum, the City shall conduct an annual

evaluation of each bank's credit worthiness to determine whether it should be on the "Qualified Institution" listing.

All banks and other dealers will be provided a copy of this Investment Policy to ensure that they are familiar with the goals and objectives of the investment program.

X. Diversification and Maturity Limitations

It is the goal of the City of Albany to diversify its investment portfolio. Invested funds shall be diversified to minimize risk or loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities.

Risk of principal loss in the portfolio as a whole shall be minimized by diversifying investment types according to the following limitations as shown below.

<u>Investment Type</u>	<u>Maximum % of Portfolio</u>
• U.S. Treasury Notes/Bonds	100%
• U.S. Agencies	100%
• Certificates of Deposit	30%
• Repurchase Agreements	20%
• U.S. Backed Collateralized Mortgage Obligations	20%

The Chief Financial Officer, to the extent possible, will attempt to match investments with anticipated cash flow requirements. Matching maturities with cash flow dates will reduce the need to sell securities prior to maturity, thus reducing market risk.

XI. Safekeeping and Collateralization

The laws of the State and prudent treasury management require that all purchased securities be bought on a delivery versus payment basis and be held in safekeeping by either the City of Albany or the designated depository.

All safekeeping arrangements shall be designated by the Chief Financial Officer and an agreement of the terms executed in writing. Any third-party custodian shall be required to issue original safekeeping receipts to the City of Albany listing each specific security, rate, description, maturity, and CUSIP number. Each safekeeping receipt will clearly state that the security is held or pledged for the City of Albany.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent depository. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

Collateralization shall be required on two types of investments: certificates of deposit over the FDIC insurance coverage, and repurchase agreements.

In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 110 percent of the market value of the principal and accrued interest.

XII. Investment Policy Adoption by Governing Body

The City of Albany Mayor and City Commissioners shall adopt this Investment Policy. The Policy shall be reviewed not less than every three years.

City of Albany
Section VII - Internal Control and Financial Reporting

Internal control, or the system of internal controls, is the integration of activities, plans, attitudes, policies, and efforts of the people in an organization working together to provide reasonable assurance that the organization will achieve its goals and objectives. Financial reporting provides the informational infrastructure for the City.

- I. The City will maintain a system of internal controls in order to maintain accountability to the citizens of the City and the Board of Commissioners, meet established goals and objectives, promote adherence to laws and regulations, encourage sound financial and operational practices, develop and maintain accurate, reliable and timely financial and management data, safeguard assets/resources, prevent, detect and deter fraud, and facilitate both internal and external audits.

- II. The City will comply with Generally Accepted Accounting Principles (GAAP) in its accounting and financial reporting, as contained in the following publications:
 - A. Codification and Pronouncements of Governmental Accounting and Financial Reporting Standards, issued by the Governmental Accounting Standards Board (GASB).

 - B. Codification and Pronouncements of Accounting and Financial Reporting Standards, issued by the Financial Accounting Standards Board, (FASB).

 - C. Governmental Accounting, Auditing, and Financial Reporting (GAAFR), issued by the Government Finance Officers Association (GFOA) of the United States and Canada. The City will prepare its comprehensive annual financial report in compliance with the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.

 - D. Financial reporting guidelines issued by the Georgia Department of Audits and Accounts (DOAA). The City's comprehensive annual financial report will be issued by December 31 of each year for the preceding fiscal year to the DOAA and to the Board of Commissioners as required by the Code of Georgia.

 - E. State and Local Governments – Audit and Accounting Guide, an industry guide published by the American Institute of Certified Public Accounts (AICPA).

- F. Government Accounting Standards, issued by the Comptroller General of the United States.
- III. According to Georgia Code (O.C.G.A. §36-81-7), the City will contract for a comprehensive financial audit to be performed annually by an independent external auditor (public accounting firm). The independent external auditor will express an opinion on the City's Financial Statements, which will be submitted to the State Auditor within 180 days after the end of the fiscal year.
- IV. In addition to the financial audit of the City, an audit of federal grants will be performed annually by an external auditor in accordance with U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.
- V. Grantee departments shall ensure that their grants are correctly reported in both the grantor's and the City's financial systems. If the terms and size of the grant require an audit, the grantee department is responsible for verifying that such an audit is performed by the sub-recipient and that the auditor's report is submitted to the City's grant manager for his/her files.
- VI. Upon completion of the City's Comprehensive Annual Financial Report (CAFR), an electronic version will be submitted to Electronic Municipal Market Access (EMMA) and the bond rating agencies.
- VII. The City will maintain an internal audit function, within the finance department, in order to enhance the City's overall control environment. Staff shall govern themselves by adhering to the Government Finance Officers Association's *Code of Professional Ethics* and the *Generally Accepted Government Auditing Standards*.

City of Albany
Section VIII - Risk Management

Risk Management functions to protect City resources such as employees, buildings, equipment, vehicles, and financial assets. The City will manage its risk and limit risk exposure in a professional and prudent manner.

- I. The City shall make diligent efforts to protect and preserve City assets against losses that could deplete City resources or impair the City's ability to provide services to its citizens. The City shall reduce its exposure to liability through training, safety, risk financing and the transfer of risk when cost effective.
- II. The City shall manage its exposure to risk through the most appropriate means of self-funding and/or the purchase of traditional insurance in the following areas:
 - A. General liability
 - B. Automobile liability
 - C. Public officials' errors and omissions
 - D. Police professional liability
 - E. Property loss and workers' compensation
- III. Risk Management will be funded by the other City departments using an allocation method based upon estimated risk exposure.
- IV. The City will further control its exposure to risk through the use of hold harmless agreements in City contracts and by requiring contractors to carry liability insurance.

Upon the approval of a formal Risk Management Policy by the Commission, it will be included as an appendix to this policy manual.

City of Albany
Section IX - Fraud

City of Albany recognizes the importance of protecting the organization, its operations, its employees, and its assets against financial risks, operational breaches and unethical activities. Therefore, it is incumbent upon the Mayor, City Commission, City Manager, and management to institute and communicate clearly the fraud prevention policy to City employees, suppliers of goods and services, contractors in the course of their work, or other persons.

The City of Albany recognizes a zero tolerance policy regarding fraud and corruption. It requires staff at all times to act honestly and with integrity and to safeguard the public resources for which they are responsible. All matters raised by any source will be taken seriously and properly investigated. The City is committed to ensuring that opportunities for fraud and corruption are reduced to the lowest possible level.

This policy covers all City employees and officers. Additionally, this policy covers all City vendors and others associated with the City to the extent that any City of Albany resources are involved or impacted.

Fraud is defined as an intentional deception, misappropriation of resources, or the manipulation of data to the advantage or disadvantage of a person or entity. Some examples of fraud include:

- A. Falsification of expenses and invoices
- B. Theft of cash or fixed assets
- C. Alteration or falsification of records
- D. Failure to account for monies collected
- E. Knowingly providing false information on job applications and requests for funding

Corruption is defined as the offering, giving, soliciting, or accepting of an inducement or reward that may improperly influence the action of a person or entity. Some examples of corruption include:

- A. Bribery
- B. Conspiracy
- C. Extortion

Deterring Fraud and Corruption

The City of Albany has established internal controls, policies, and procedures in an effort to deter, prevent, and detect fraud and corruption.

All new employees are subject to background investigations including a criminal background check. The City of Albany will also verify all applicants' employment history, education, and personal references prior to making an offer of employment.

All vendors, contractors, and suppliers must be in good standing and authorized to transact business in the state of Georgia. Vendors, contractors, and suppliers are subject to screening and review in accordance with the City's Procurement policies.

All contractual agreements with the City of Albany will contain a provision prohibiting fraudulent or corruptive acts and will include information about reporting fraud and corruption.

The City of Albany employees will receive fraud and corruption awareness training. New employees will receive training as part of the orientation at the commencement of employment.

The City of Albany will ensure that, if fraud occurs, a vigorous and prompt investigation will take place without regard to position held or length of service.

The City of Albany will take appropriate disciplinary and legal action in all cases, where justified, and will review systems and procedures to prevent similar frauds.

Reporting of Fraud or Corruption

All employees and officers have a duty to report concerns they have or information provided to them about the possible fraudulent or corrupt activity of any officer, employee, vendor, or any other party with any association with City of Albany. Any person who has a reasonable basis for believing fraudulent or corrupt acts have occurred has a responsibility to report the suspected act immediately.

What should be reported?

Concerns which should be reported include:

- A. Any dishonest or fraudulent act
- B. Forgery or alteration of documents or accounts
- C. Misappropriation of funds, supplies, or other assets
- D. Impropriety in the handling or reporting of money or financial transactions
- E. Profiting from an official position
- F. Disclosure of official activities or information for advantage
- G. Accepting or seeking value from third parties by virtue of official position or duties
- H. Theft or misuse of property, facilities or services

Concerns should be reported to any of the following:

- A. Any Senior Manager or Department Director
- B. The employee's immediate supervisor
- C. The Finance Department web page: <http://www.albanyga.gov/about-us/city-departments/finance-department>
 - Then, click on "feedback".

Retaliation and retribution will not be tolerated against any employee or officer who reports suspected fraudulent or corrupt activities. If an employee is determined to have acted maliciously or with deceit, the employee will be subject to disciplinary action.

All reports will be taken seriously and will be investigated by the appropriate department. If deemed necessary, the City of Albany will notify and fully cooperate with the appropriate law enforcement agency. Any investigations resulting in the finding of fraud or corruption will be referred to the City Manager for action.

RESPONSIBILITIES

Chief Financial Officer

Overall responsibility for managing the risk of fraud has been delegated to the Chief Financial Officer. Responsibilities include:

- A. Developing a fraud risk profile and undertaking a regular review of the fraud risks
- B. Establishing an effective anti-fraud policy and fraud response plan
- C. Designing an effective control environment to prevent fraud commensurate with the fraud response plan
- D. Establishing appropriate mechanisms for reporting fraud

City of Albany
Section X - Grants

The purpose of this policy is to serve as an internal control system to safeguard assets, ensure the reliability of accounting data, and to comply with management policies and grant terms and conditions. These objectives will be met through the facilitation of timely reviews of all financial activity, with internal audits as necessary.

The Grant Policy is required to ensure procedures are used efficiently and effectively and in accordance with management policies. The policy serves as an administrative tool and a guide to the grant application, reporting, and monitoring processes. It outlines the rights and responsibilities of all parties involved in the grant process to include, but not limited to: the grant recipient, grant manager, and the Mayor and Board of City Commissioners (the Commission).

Accounting Systems

The City of Albany Finance Department serves as a fiscal agent for all grant funds received by the City of Albany. The department's overall responsibility is to use fiscal controls and Generally Accepted Accounting Principles to ensure the proper disbursement of and accounting for federal and state funds. These controls include: establishing internal controls, complying with federal requirements, maintaining records, and processing payment requests against various grants.

Most grants will be set up in the Grant Fund(s) using the City's Chart of Accounts, with the appropriate department number and a unique business unit number to separate the revenues and expenditures of each grant from all others. This allows for the separation of expenditures and receipts of each grant for reporting and tracking needs, which is usually required by the grant contract. All grant financial reports must be reconciled to the City's general ledger for the period being reported.

Grant Fund

The Georgia Department of Community Affairs (DCA) Uniform Chart of Accounts guidelines will be strictly adhered to in determining in which fund each grant will reside. Any grant whose projected total expenditures will exceed 2% of the General Fund's budgeted total operating expenditures will be placed in a separate fund. All grants below the 2% materiality test and not used for financing General Fund operations will be placed in the Multi-Grant Fund. The City is allowed to place grants for General Fund operations in the General Fund but, in practice, chooses to place these grants in the Multi-Grant Fund to simplify the organization and the tracking of these grants. Grants for Enterprise Fund purposes must be placed within the appropriate Enterprise Fund. This means that, with the exception of Community and Economic Development, Transit, and Airport, most remaining grants will be placed in the City's Multi-Grant Fund.

Cash Management

This policy is not to supersede the cash management policies already in place and enforced by the City. Any cash management policies dictated by an individual grant will supersede the City's policies only when the grant's policy is more restrictive than that already enforced by the City. The timing of draw down requests for advancements should be monitored to minimize the amount of idle cash. Likewise, reimbursement requests should be timed to occur as soon after the corresponding expenditures as possible in order to maximize cash flow and minimize outstanding receivables. All of the information necessary to prepare requests for advances or reimbursements must be available in the grant's record keeping systems.

I. Locating Grant Opportunities

The grantee department is primarily responsible for locating grant and/or funding opportunities. Such opportunities may be obtained in the following ways:

- A. The Mayor, or his/her designee, receives notice of funding availability from grant agencies
- B. Departments receive notice of funding availability from grant agencies
- C. The Catalog of Federal Domestic Assistance (www.cfda.gov or www.grant.gov); Departments are highly encouraged to utilize this tool.
- D. Cycles of current grants are continued.

II. Application For Federal and State Funding

Grants are the primary vehicles used by the federal and state governments for disseminating budget-related legislation involving state and local governments. The grant process is used not only to distribute the funds to the appropriate recipients, but also to provide for control and feedback, which are the means used to ensure that the legislation is accomplishing its objectives. All management personnel within the City of Albany are encouraged to search for grants that may be available for their area of operations and take action to obtain any appropriate grant. Funds applied for and received must NOT be used to supplant existing funds.

Grant applicants should have access to the most up-to-date information on grant sources and the resources for completing and submitting the applications. The grant applicant is responsible for the accuracy of all information requested in the application. Full compliance is required.

III. Contracts and Grant Agreements

A. Approval and Execution

No grant can be accepted (i.e., no City of Albany employee has the authority to enter into a contract with the awarding agency) without the approval of the Board of Commissioners. The Mayor is the legal signatory for items presented and approved by the Commission.

It is MANDATORY that grant applications, agreements, and contracts with matching fund obligations are authorized by the Commission and signed by the Mayor or their designee. Because establishing a legal signatory with the granting agency is so critical, it is necessary to request authorization for the designee to sign grant contracts if the grant is later approved.

NOTE: The grantee department must gain approval for both the application and the acceptance of a grant. This means the grantee department should appear a minimum of twice before the Commission.

The legally effective date for most grants is the date the grantor agency executes the document unless otherwise stated in the contract/agreement. Do not begin a program until the execution is complete unless the program has a specific term, e.g., July 1, 2021 to June 30, 2022. When a sub-recipient agreement is needed, the agreement period does not begin until the Mayor, or his/her designee, and all other parties involved have signed the documents.

The grantee department must read each grant agreement or contract thoroughly to become familiar with the requirements, especially in procurement areas. Refer to the Procurement Division of the Central Services Department if you have questions specific to purchasing.

B. Documentation

The grantee department is responsible for maintaining copies of all source documents, as well as documenting the transactions in the grant's record keeping system. Source documents include but are not limited to: grant applications, grant agreements, budgets, award letters, purchase documents, contracts, time and attendance records, delivery receipts, vendor invoices, and reimbursement/advance requests (including petty cash requests), and any submitted financial and programmatic reports.

At minimum, the grantee department should have the original or a copy of the following information:

- 1) Approved grant application, including the grant budget
- 2) The award letter and the grant agreement
- 3) Financial and programmatic reports
- 4) Audit information
- 5) Any changes of scope or time extensions with the grant
- 6) All pertinent correspondence between the grantor/grantee and within the City of Albany.

C. Grants Monitoring

In an effort to identify, discuss and remedy compliance issues and to prevent audit exceptions or findings, at minimum, quarterly meetings will be scheduled with the grant manager. In some instances, monthly meetings may be necessary. These meetings will be used to review programmatic areas, financial reports, or to verify expenditures for each grant as well as address any concerns the grantee department may have.

D. Subgrantee/Subcontractor/Subrecipient

While the City of Albany is normally the recipient of state and federal grants, an occasion may arise where the City acts in the role of being a conduit for channeling the grant funds to a subrecipient (subgrantee), or where the grant project requires contracting with other parties for fulfillment of the grant. The City department responsible for receiving and disbursing these grant funds is required to monitor a subgrantee's reporting, record keeping, and internal operating and accounting control systems.

The department must not make any award, either through subcontract or contract, at any tier, to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs (Executive Order 12549).

The City is liable to the agency awarding these grants just as if the City was the actual recipient of these funds. The department must be able to document proper compliance of the subgrantee or subcontractor to help protect the City if a question of liability should ever arise. This includes the subgrantee's compliance with all grant record keeping, reporting, and control requirements. The department must ensure that the subgrantee or subcontractor is aware of all requirements imposed upon them by federal statutes and regulations. The department is also responsible for ensuring that the subgrantee complies with all applicable City of Albany policies and procedures related to the execution of the grant, such as proper purchasing policies and procedures.

Any contract/subcontract must indicate any clauses required by federal statute and executive orders and their implementing regulations.

IV. Audits

Providing a proper audit trail is crucial for internal and external reviews of the reported financial transactions as well as the grant's and the City's accounting control system.

The City of Albany contracts with an external audit firm each year to perform an audit, which includes a single audit (SA) based on the OMB Circular A- 133.

City of Albany
Section XI - Policy Review

- I. The Mayor and Board of Commissioners will review and adopt by resolution the financial policies contained in this document not less than every three years, after reviewing with staff.
- II. The City Manager shall provide the Board of Commissioners a written status report concerning City of Albany's compliance with the Financial Management Policy on an annual basis.

City of Albany
Section XII - Glossary

Ad Valorem Tax

A tax calculated "according to the value" of property. Such a tax is based on the assessed valuation of real property and, in certain cases, on a valuation of tangible personal property (the principles define measuring value). The tax is a lien on the property enforceable by seizure and sale of the property. General restrictions, such as overall restrictions on rates, or the percent of charge allowed, apply.

Annual Debt Service Expenditures

Annual debt service for measuring debt capacity for the City shall include debt service on outstanding principal for:

- General Obligation Bonds of the City
- All other debt to the extent that it is supported by tax revenue; this *excludes* Revenue Bonds.

Annual Revenue

Annual revenue for measuring debt capacity shall include the revenues of the General Fund and special revenue funds for the fiscal year in which the debt service expenditures occur.

Arbitrage

The gain which may be obtained by borrowing funds at a lower (often tax-exempt) rate and investing the proceeds at higher (often taxable) rates.

Assessed Valuation

The appraised worth of property as set by a taxing authority through assessments for purposes of ad valorem taxation. The method of establishing assessed valuation varies from state to state, with the method generally specified by state law. For example, in certain jurisdictions the assessed evaluation is equal to the full or market value of the property; in other jurisdictions the assessed valuation is equal to a percentage of the full market value.

Assigned Fund Balance

Assigned fund balance describes the portion of fund balance that reflects the intended use of resources established by the highest level of decision making, or by a body or an official designated for that purpose.

Bond

A security that represents an obligation to pay a specified amount of money on a specific date in the future, typically with periodic principal and interest payments.

Bond Anticipation Note (BAN)

Short-term, interest-bearing security issued in anticipation of a long-term bond issue. The investors typically rely upon the sale of a subsequent issue of securities to pay the BAN at maturity.

CAFR

Comprehensive Annual Financial Report

Capital Improvement Program

The Capital Improvement Program (CIP) is a five-year plan of major, nonrecurring facility and infrastructure expenditures that expand or improve the City's physical assets. Projects shown in the CIP include physical descriptions, implementation schedules, cost and funding source estimates, statements of relationship to the Strategic Plan and Comprehensive Plan, and projected benefits to the community in terms of service delivery.

Committed Fund Balance

The committed fund balance represents resources whose use is constrained by limitations that the government imposes upon itself at the highest level of decision making (the Mayor and Board of Commissioners). The same formal action is required to remove the commitment.

Debt Service

The amount necessary to pay principal and interest requirements on outstanding obligations for a given year or series of years.

Debt Service Reserve Fund

The fund into which funds are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. A typical reserve requirement might be the maximum aggregate annual debt service requirement for any year remaining until the bonds reach maturity.

Extraordinary Expenditure

An expenditure that is infrequent, nonrecurring, unusual, and significant in size.

Full Disclosure

The Securities and Exchange Commission requires dissemination to interested parties of the City's annual financial statements. They also require that interested parties should be immediately notified of any material event (or events or information deemed material) that affect the City's ability to make payments to bondholders.

Fund Balance

The difference between assets and liabilities in the governmental fund.

General Obligation Debt

Debt that is secured by a pledge of the ad valorem taxing power of the issuer. Also known as a full faith and credit obligation.

Lease

An obligation wherein a lessee agrees to make payments to a lessor in exchange for the use of certain property. The term may refer to a capital lease or to an operating lease.

Nonspendable Fund Balance

Is made up of assets that are not in the form of cash, such as, accounts receivable, prepaid items, and inventories.

O.C.G.A. The Official Code of Georgia Annotated.

Restricted Fund Balance

Has limitations imposed by creditors, grantors, contributors, or laws and regulations of *other* governments.

Revenue Bonds

Bonds on which the debt service is payable from the revenue generated from the operation of the project being financed or from a category of facilities, or from other non-tax sources of the City.

SPLOST

Special Purpose Local Option Sales Tax.

Tax Supported Bonds

Bonds for which the funding used to make annual debt service expenditures is derived from tax revenue of the City's General and Special Revenue Funds.

Total Bonded Debt

For purposes of measuring debt capacity, total bonded debt shall include total outstanding principal for:

- General Obligation Bonds of the City,
- All other debt to the extent that it is supported by tax revenue; this *excludes* Revenue Bonds.

Turnback

The projected under expenditure of current budget appropriations.

Unassigned Fund Balance

Used as a measure of the amount of resources a jurisdiction has available for spending, including its ability to meet special needs and withstand financial emergencies. In these policies, unassigned fund balance means it is neither earmarked nor reserved for other uses. It is available for discretionary spending.

Variable Rate Bond or Note

A bond or note on which the interest rate is reset periodically. The interest rate is reset either by means of an auction or through an index.