



Farragut Board of Mayor & Aldermen Workshop Meeting

Thursday, April 23, 2026 at **5:00 PM**

Workshop

Farragut Town Hall
11408 Municipal Center Drive

AGENDA

- I. Roll Call
- II. Business Items
 - A. Review of Financial Policies for FY2026-2027
- III. Adjournment

The Board of Mayor and Aldermen welcomes and invites Farragut residents to participate in public meetings.

Public Participation Guidelines for Farragut Board of Mayor and Aldermen meetings

At the end of each business meeting, there will be time reserved for public comment under the Citizen Forum agenda item. If you are interested in speaking, please fill out a blue comment card and turn it in to the Town Recorder or staff member. This time is set aside specifically for comments on items that are not on the Board of Mayor and Aldermen regular agenda for the meeting. Each speaker will be given three (3) minutes to speak on his/her topic.

The Board also seeks public comment on regular agenda items during the portion of the meeting devoted to discussion and consideration of the specific agenda item.

The Mayor may recognize individuals for public comment during both the regular agenda and Citizen Forum portions of the meeting based on the following guidelines.

1. The Mayor shall maintain and control the meeting to provide a professional and objective environment conducive to presentation and discussion of the agenda items;
2. Any Farragut resident interested in speaking should fill out a blue comment card stating which agenda item they would like to comment on and turn it in to the Town Recorder or a staff member;

**11408 MUNICIPAL CENTER DRIVE | FARRAGUT, TN 37934 | 865.966.7057 |
WWW.TOWNOFFARRAGUT.ORG**

It is the policy of the Town of Farragut not to discriminate on the basis of race, color, natural origin, gender, gender identity, sexual orientation, age, religion, disability or veteran status pursuant to Title VI of the Civil Rights Act of 1964, Public Law 93-112 and 101-336 in its hiring, employment practices and programs. To request accommodations due to disabilities, please call 865-966-7057 in advance of the meeting

3. Speakers shall come to the podium and identify themselves by name and street address;
4. Public comment shall be limited to three (3) minutes per individual. Time for public comment may be amended at the discretion of the Mayor; provided that when additional time is allowed, speakers with differing points of view are allowed the same amount of time if requested. Time is not transferable to other speakers;
5. Speakers should strive to avoid redundancy; different considerations than expressed by previous speakers on a subject are encouraged;
6. Comments that threaten violence or imminent physical harm toward any individual will not be tolerated.
7. Comments may support or oppose issues or measures;
8. Personal attacks on the character of individuals who hold different points of view that have no relationship to the merits of the matter or issue raised for discussion will not be tolerated.
9. An applicant, and/or their representative(s), for an item on the regular agenda shall be afforded the time necessary to present their request and respond to questions. The three (3) minute limitation shall not apply. However, the Mayor may ask an applicant to stay on point in order to facilitate the efficiency of the meeting.

Each speaker will be asked if they can agree to abide by the Comment Protocol. If so, please be prepared to speak when your name is called.

Tennessee Code Annotated 39-17-306. Disrupting meetings or processions.

1. A person commits an offense if, with the intent to prevent or disrupt a lawful meeting, procession, or gathering, the person substantially obstructs or interferes with the meeting, procession, or gathering by physical action or verbal utterance.
2. A violation of this section is a Class A misdemeanor.

REPORT TO THE FARRAGUT BOARD OF MAYOR & ALDERMEN WORKSHOP

Prepared By: Tessa Cortes, Finance Director - Treasurer
 Michelle Pence, Director of Administrative Services

Subject: Review of Financial Policies for FY2026-2027

Introduction & Background: As part of sound financial governance and responsible stewardship of public resources, the Town conducts an annual review of its financial policies to ensure they remain current, effective, and aligned with applicable laws, regulations, and best practices. This review provides an opportunity to evaluate whether existing policies continue to support the Town’s financial stability, operational needs, internal controls, and long-term strategic goals. The attached review summarizes recommended updates and reaffirmations for the Board’s consideration in order to maintain strong fiscal management and accountability.

Discussion & Recommendations: MTAS and the Tennessee Comptroller identify the annual budget ordinance, internal controls, and a debt management policy when debt is issued as core required elements of a municipality’s financial framework, while also strongly recommending formal policies addressing fund balance, cash management, investments, and budget monitoring.

Policy / Area	Required or Recommended	What MTAS / Comptroller says
Annual Budget Ordinance	Required	MTAS states the governing body must “adopt and operate under an annual budget ordinance.”
Debt Management Policy	Required if the Town incurs or issues debt	The Comptroller says local governments incurring or issuing debt must have an adopted debt management policy consistent with State Funding Board guidance.
Internal Controls	Required	The Comptroller’s Internal Control Manual states local governments must establish and maintain an adequate internal control system for financial reporting, operations, and legal compliance.
Fund Balance Policy	Recommended best practice	MTAS says GASB 54 does not require a formal fund balance policy, but adopting one is considered best practice and is recommended by the Comptroller.

Cash Management Policy	Recommended best practice	The Comptroller recommends a cash management policy so governments maintain sufficient cash to pay obligations and manage reserves responsibly.
Investment Policy	Recommended best practice	The Comptroller recommends an investment policy outlining legal investments, authority, eligible funds, and investment process.
Budget Monitoring Procedures	Recommended best practice	MTAS guidance on the budget process emphasizes ongoing monitoring, financial reporting, and timely amendments when revenues or expenditures change.
Surplus Property Policy	Recommended best practice	MTAS and the Tennessee Comptroller recommend a surplus property policy to help safeguard public assets, document disposal authority, and reduce the risk of improper sale, giveaway, or noncompliance.
Capital Asset Management Policy	Recommended best practice	The Comptroller recommends a capital asset management policy to strengthen accountability over public assets by establishing clear standards for identifying, tracking, safeguarding, maintaining, and disposing of capital assets throughout their useful life.
Purchasing & Procurement Policy	Recommended best practice	MTAS and the Tennessee Comptroller recommend a purchasing policy to promote fair, consistent, and legally compliant procurement practices while strengthening internal controls, competition, and accountability in the expenditure of public funds.

Staff has completed its annual review of the Town’s financial policies and finds that these policies continue to serve as an important framework for fiscal oversight, internal control, compliance, and long-term financial planning. Where necessary, updates have been identified to improve clarity, incorporate current practices, and ensure continued alignment with applicable legal and operational standards. Staff recommends the financial policies, as presented, to reaffirm the Town’s commitment to sound financial management and stewardship of public funds.

A summary of the policies:

Budget Monitoring Policy-New Internal Policy

Capital Asset Management Policy-updated and adopted in 2025

Cash Management Policy-New Internal Policy

Debt Management Policy-updated and adopted in 2025

Fund Balance Policy-a revision is coming in Q4 FY 26 for the Board to review and adopt

Internal Controls Manual-No recommended changes at this time

Investment Policy- New Internal Policy

Purchasing Policy- NOTE: Ordinance 25-04 updated the threshold for purchases over \$25,000 requiring Board Approval. The current version was written in 2011—a revision is coming in Q4 FY 26 for the Board to review and adopt

Surplus Property Policy- updated and adopted March 2026

Recommended By:

Michelle Pence, Director of Administrative Services, Tessa Cortes, Finance Director - Treasurer for approval.

Proposed Motion:

Memo

To: Board of Mayor and Alderman

From: Tessa Cortes, Finance Director

Michelle Pence, Director of Administrative Services

Date : 4/17/2026

Re: Summary of Financial Policies

Budget Monitoring Policy

This policy establishes how the Town will actively monitor the adopted budget during the fiscal year to catch issues early, maintain fiscal discipline, and support timely corrective action. It applies across all Town funds, including the General Fund, Special Revenue Funds, Capital Project Funds, and other operating funds, and places responsibility on the Board, Town Administrator, Finance Director, and department directors. The policy requires at least monthly internal budget-to-actual reviews, quarterly formal summaries to the Board, and additional review as needed when issues arise. A key numerical standard is that, as a general guideline, variances of 10% or more from budget must be reviewed and explained, although smaller variances may also warrant attention if they create operational or compliance concerns.

Capital Asset Management Policy

This policy governs how the Town identifies, inventories, values, depreciates, and reports capital assets in compliance with GASB Statement No. 34. It covers land, buildings, improvements, roads and bridges, vehicles, machinery, equipment, furniture, and construction in progress, and requires departments to maintain inventories and report acquisitions, transfers, missing items, and surplus property. The most important numerical standards are the capitalization thresholds: generally \$10,000 or more with a useful life of at least 5 years for depreciable assets, \$10,000 or more for infrastructure, and \$1 or more for land, which is capitalized but not depreciated. The policy also includes useful-life guidance for many asset classes, such as 5 years for office furniture and computer hardware, 7 years for cars and light trucks, 20 years for HVAC and roofing, 25 years for temporary buildings, and 40 years for buildings.

Cash Management Policy

This policy is intended to ensure the Town has enough cash on hand to meet payroll, invoices, debt service, and other obligations while also preserving financial stability and investing excess funds prudently. It applies to all public funds and establishes expectations for internal controls, deposits, disbursements, banking relationships, reconciliations, pooled cash, and reserve restoration. Key numerical requirements include that receipts must be deposited within 3 working days of receipt and that the Town should maintain a minimum cash balance equal to at least 6 months of regular General Fund operating expenditures. The policy also requires daily reconciliation of collections,

monthly bank reconciliations by someone independent of receipting, and allows excess cash to be invested only in lawful and conservative options such as Treasury securities, agency securities, secured CDs, repurchase agreements, and LGIP.

Debt Management Policy

This policy sets the framework for how the Town will approach debt, with an overall philosophy that avoiding debt is the Town's primary policy, but that if debt is necessary, it should be undertaken in a disciplined, transparent, and legally compliant manner. It requires appropriate review by the Board and, where required, the State Comptroller before issuance. The policy includes several important financial benchmarks: a General Fund balance requirement of 30%, an average life of total debt of 10 years or less, a target that more than 60% of principal be paid within 10 years, per capita debt below 4% of per capita income, and debt service at or below 12% of General Fund operating expenditures. It also states that long-term debt should not be used for current operations, debt maturities generally should not exceed the useful life of the asset or 30 years, and debt issued for operations must be repaid within the same fiscal year.

Fund Balance Policy

This policy is designed to preserve financial stability by maintaining adequate reserves for emergencies, revenue shortfalls, and other unforeseen conditions, while also providing guidance on how fund balance is classified and used under GASB Statement No. 54. It applies to the Town's General Fund and General Debt Service Fund and defines the five standard categories of fund balance: nonspendable, restricted, committed, assigned, and unassigned. A key numerical feature is the Financial Stabilization Account, which, if established, must be maintained at a minimum of 5% of General Fund expenditures and is intended for urgent public safety events such as floods or tornadoes. The policy also establishes the order of spending, directing that restricted funds be used first when available, and then for unrestricted categories, committed first, assigned second, and unassigned last.

Internal Control Manual

The Internal Control Manual is the Town's overarching framework for financial stewardship, compliance, and risk reduction. It was developed to align with Tennessee law and the GAO Green Book and states that the Town's internal control system is built around 3 objectives—reporting, operations, and compliance—and 5 required components: control environment, risk assessment, control activities, information and communication, and monitoring. The manual includes a number of specific numerical controls, including that deposits should be made within 3 working days, bank accounts should be reconciled within 20 days of statement receipt, reconciling items should not remain outstanding for more than 60 days, and an annual risk assessment should be conducted by management. In practical terms, this manual serves as the backbone for how the Town reduces financial risk, documents procedures, assigns responsibility, and monitors whether controls are actually working

Investment Policy

This policy provides the Town's framework for investing funds lawfully and conservatively, with the goal of protecting principal, maintaining liquidity, and achieving a reasonable return without taking unnecessary risk. It makes clear that investment decisions must be based on five priorities: legal limitations, safety of principal, liquidity needs, risk, and yield. The policy limits investments to those authorized by Tennessee law and consistent with the Town's risk tolerance, and requires that authorized investment types, eligible funds, responsible officials, and documentation and monitoring procedures all be clearly identified. It also places implementation responsibility on the Finance Director and confirms that even conservative tools such as certificates of deposit and LGIP are subject to the policy.

Purchasing Policy, as updated by Ordinance 25-04

The purchasing policy establishes the Town's procurement structure, responsibilities, solicitation methods, and ethical requirements so purchases are made fairly, competitively, and with appropriate internal controls. The original 2011 policy used a \$10,000 formal bid threshold, \$4,000 to \$9,999.99 for written quotations, and smaller verbal quote levels. However, Ordinance 25-04 updates the purchasing threshold, so the current controlling standard is that public advertisement and competitive bidding are required for purchases exceeding \$25,000, except where exempt by law. The ordinance also requires three written quotations whenever possible for purchases that are below the \$25,000 bid threshold but above 40% of the threshold amount, which is effectively above \$10,000. At a high level, this policy and ordinance together modernize the Town's purchasing authority while still preserving competition, documentation, and oversight.

Surplus Property Sale and Disposal Policy

This policy governs how the Town declares, transfers, sells, or otherwise disposes of surplus property and includes stronger guardrails than the older surplus language in the purchasing manual. It requires all nominated surplus property to be listed, described, valued, and approved by the Board, with the Finance Director coordinating disposal, sale, or interdepartmental transfer. The key threshold is \$2,000: surplus property with an accumulative estimated value of \$2,000 or less may, at the Finance Director's discretion, be disposed of, sold on the open market, or gifted to a qualified nonprofit, while property with an accumulative estimated value of more than \$2,000, or any capital asset item, must be sold by public auction, web auction, or sealed bid. The policy also requires public notice at least 5 days before an auction or sealed bid sale and requires records of sale or disposal transactions to be retained for at least 5 years.

Budget Monitoring Policy

1. Purpose

The purpose of this policy is to establish a consistent process for monitoring the Town's adopted budget, identifying variances, supporting sound financial management, and ensuring timely corrective action when necessary. This policy is intended to promote fiscal accountability, transparency, and compliance with applicable laws, regulations, and Town policies.

2. Policy Statement

The Town shall monitor revenues and expenditures throughout the fiscal year to ensure that actual financial activity remains aligned with the adopted budget. Budget monitoring is a shared responsibility among department directors, the Finance Department, and the Town Administrator. Departments are expected to manage operations within appropriated budget limits and to promptly address material variances or emerging financial concerns.

3. Scope

This policy applies to all Town funds, departments, divisions, programs, and activities included in the annual adopted budget, including but not limited to:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise or other operating funds, as applicable

4. Responsibilities

Board of Mayor and Aldermen

The Board of Mayor and Aldermen shall:

- Adopt the annual budget and any required amendments
- Receive periodic budget-to-actual reports
- Review significant financial trends and budgetary issues
- Approve budget amendments as required by law or Town policy

Town Administrator

The Town Administrator shall:

- Provide executive oversight of budget monitoring activities
- Review significant variances and proposed corrective actions
- Ensure departments are held accountable for budget performance
- Present material budget issues and recommendations to the Board as appropriate

Finance Director

The Finance Director shall:

- Prepare and distribute budget-to-actual financial reports on a regular basis



- Monitor overall Town financial performance, including revenues, expenditures, cash flow, and fund balance where applicable
- Identify and communicate material variances, trends, or risks
- Assist departments in interpreting financial data and recommending corrective actions
- Coordinate budget amendments when necessary

Department Directors

Department Directors shall:

- Monitor departmental budgets on an ongoing basis
- Review budget-to-actual reports for accuracy and performance
- Ensure expenditures remain within approved appropriations
- Promptly notify the Finance Director and Town Administrator of expected overages, revenue shortfalls, or other significant concerns
- Implement corrective actions as needed, including expenditure controls, delayed purchases, or reallocation requests in accordance with Town procedures

5. Monitoring Frequency

The Town shall monitor budget performance throughout the fiscal year using the following minimum schedule:

- **Monthly:** Internal budget-to-actual review by Finance and Department Directors
- **Quarterly:** Formal financial summary provided to the Town Administrator and Board of Mayor and Aldermen
- **As Needed:** Additional review when significant variances, revenue disruptions, emergencies, or operational changes occur

More frequent monitoring may be required for departments, funds, or projects with elevated financial risk.

6. Budget-to-Actual Review

Budget monitoring shall include, at a minimum:

- Actual revenues compared to budgeted revenues
- Actual expenditures and encumbrances compared to budgeted appropriations
- Departmental and fund-level variance analysis
- Review of capital project spending
- Review of personnel costs, including salaries, overtime, benefits, and vacancies
- Identification of unusual trends, timing differences, or non-routine transactions
- Review of fund balance, reserves, and cash position, as applicable

7. Variance Thresholds and Review

Departments and Finance shall pay particular attention to material variances. A variance review shall be conducted when:

- Expenditures in a line item, department, or fund are projected to exceed the adopted budget
- Revenues are trending materially below budget
- Operational conditions create a substantial change in expected financial performance
- Capital projects exceed projected costs or timelines



As a general guideline, variances of **10% or more** from budget, or any variance considered significant by the Finance Director or Town Administrator, shall be reviewed and explained. Smaller variances may also require review if they create operational or compliance concerns.

8. Corrective Action

When budget monitoring identifies a material issue, management shall take timely corrective action.

Corrective action may include:

- Delaying or reducing discretionary spending
- Freezing purchases or hiring
- Adjusting operational plans
- Reprioritizing projects or expenditures
- Recommending budget transfers or amendments
- Using contingency funds, reserves, or other authorized measures when appropriate

Corrective actions shall be documented and communicated to appropriate leadership.

9. Budget Amendments

No department shall exceed its approved budget authority without proper authorization. Budget amendments shall be processed in accordance with applicable law, Town Charter, and adopted financial procedures. Amendments requiring Board approval shall be presented with sufficient explanation regarding:

- The reason for the amendment
- The financial impact
- The proposed funding source
- The operational necessity

10. Reporting

The Finance Department shall prepare budget monitoring reports in a format that is clear, accurate, and useful for decision-making. Reports should include:

- Current budget
- Actual year-to-date activity
- Encumbrances, if applicable
- Remaining budget balance
- Percent of budget used
- Narrative explanation of significant variances
- Projection of year-end impact when appropriate

11. Internal Control and Compliance

Budget monitoring shall be conducted in a manner that supports strong internal controls and compliance with Town policies and applicable law. Monitoring activities do not replace the requirement for proper purchasing approvals, contract authorization, grant compliance, or expenditure review.

12. Year-End Review

At fiscal year-end, the Finance Director shall perform a final review of budget-to-actual results and identify:

- Significant revenue and expenditure trends
- Major departmental variances
- Budget lessons learned
- Recommendations for future budget development and monitoring improvements

13. Policy Review

This policy shall be reviewed periodically and updated as needed to reflect changes in law, accounting standards, organizational structure, or Town financial practices.



Town of Farragut
Capital Assets Policies and Procedures

The purpose of this policy is to provide guidelines for the departments of the Town of Farragut regarding capital asset reporting in the financial statements in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement-and Management's Discussion and Analysis-for State and Local Governments*. This policy establishes management control and continuing accountability for all capital assets, over capitalization thresholds, acquired by Town departments.

Capitalization of capital assets includes land, buildings and improvements, roads and bridges, machinery and equipment, and construction-in-progress. The asset amounts represented in the Town's financial statements should be documented by an inventory listing supported with detailed records for the historical or estimated historical cost of each asset.

ADMINISTRATIVE POLICIES

A. Fiscal Responsibility.

1. Board of Mayor and Aldermen:

- a. Determine and approve policies for capital asset management.
- b. Review findings and recommendations related to internal audits conducted by inventory control personnel or external audits conducted by the Town of Farragut's hired firm.
- c. Ensure any identified deficiencies or noncompliance with policies are addressed and corrected.

2. Finance/Capital Asset Management (CAM):

The office of Finance/CAM is under the direction of the Town Administrator's office, and acts as the fiscal agent for the Town. A full cooperative effort of all parties allows the Finance/CAM department to maintain records in accordance with adopted capital asset policies. Areas of responsibility are outlined below:

- a. Maintain a computer database inventory of all Town-owned assets that exceed capitalization thresholds amounts. Copies of documentation for the actual historical or estimated historical cost of each capitalized asset will be maintained in a separate file as long as each individual asset is actively on the books.
- b. Works with Town officials and other departments to identify newly purchased or donated assets. Tags all movable assets over capitalization thresholds and inputs all relative information into the inventory control computer system.
- c. Removes asset tags upon retirement of assets from computer records upon proper notification by appropriate departments.
- d. Receives copy of and reviews annual inventory of all departments to determine that capitalized assets are being properly accounted.
- e. Randomly audits annual inventory listings of Town departments to ensure that departments are complying with adopted capital asset policies.



Town of Farragut, Tennessee
RESOLUTION: R-2025-05

**A RESOLUTION BY THE BOARD OF MAYOR AND ALDERMEN OF THE
TOWN OF FARRAGUT, APPROVING AND ADOPTING THE TOWN OF
FARRAGUT CAPITAL ASSETS POLICY**

WHEREAS, the Capital Assets Policy provides guidelines for the departments of the Town of Farragut regarding capital asset reporting in the financial statements in accordance with generally accepted accounting principles, and

WHEREAS, the policy establishes management control and continuing accountability for all capital assets, over capitalization thresholds, acquired by Town departments; and

WHEREAS, Capitalization of assets includes land, buildings and improvements, roads and bridges, machinery and equipment, and construction-in-progress;

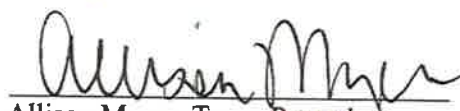
NOW THEREFORE, be it resolved by the Board of Mayor and Aldermen of the Town of Farragut Tennessee, as follows:

Section 1. The Capital Assets policies and procedures attached hereto and made a part hereof are hereby adopted.

Section 3. Changes or revisions to the policy and procedures hereby adopted shall be made only by resolution of the Board of Mayor and Aldermen of the Town of Farragut.

Resolved this 27th day of February 2025.


Ron Williams, Mayor


Allison Myers, Town Recorder

- f. Reports to the Town Administrator all instances of noncompliance with capital asset policies and procedures.
- g. Updates inventory of capital assets tracked on capital asset software and generates all reports needed to prepare external financial statements.
- h. Works with management and external auditors on all issues concerning capital asset reporting in order to comply with GASB Statement 34.

3. Administrative Officials/Department Supervisors:

Administrative officials (Town officials, Department Supervisors, etc.) are responsible for the custody and maintenance of all assets purchased for or assigned to their office. Their responsibilities include, but are not limited to, the following points:

- a. Report the theft or loss of property immediately, to Finance/CAM/Risk Manager by telephone, to be followed in writing to the Town Administrator and Finance/CAM/Risk Management department. A police report should be obtained on all losses suspected of being stolen.
- b. Report to Finance/CAM in writing any assets deemed to be surplus and unneeded by the department so that proper transfer or disposal can proceed.
- c. Any acquisition, transfer to another Town department, or disposal of assets by administrative officials shall be documented in writing to the Finance/CAM department.
- d. Allow capital asset management access to all records and inventory necessary to aid in the determining of proper disclosure of capital assets for reporting purposes.
- e. Designate person(s) for the custody and control of departmental property (departmental property coordinator). The name of the department property coordinator shall be submitted to Finance/CAM department for direct communication purposes.
- f. All Town officials/departments are required to prepare and maintain an annual inventory of all assets assigned to their respective department. All Town officials/department heads are responsible for the inventory of their respective department/office.

4. Departmental Property Coordinator (each Town office/department):

- a. Prepare and maintain an updated (at least annually) listing for all capital assets accountable to the office.
- b. Maintain a second inventory listing of only assets with a cost basis that is over the capitalization threshold for financial reporting. This inventory report should be prepared and submitted to the Finance/CAM department on an annual basis.
- c. Notify, on a timely basis, the Finance/CAM department of new asset acquisitions not currently tagged and any item that has been declared surplus/destroyed/missing.
- d. Reconcile and report differences between annual capital asset inventory and actual physical inventory to inventory control and Town official/department head.

B. Assets:

Assets over capitalization thresholds will be identified through various sources including Town department inventories, accounting records, bond issue documents, Town Board of Mayor and Aldermen minutes, the current Town road list, building and content insurance records, and data from the Knox County. All capitalized assets will be inventoried on capital asset software that will be maintained by the Finance/CAM department.

Recording Land – Land will be capitalized but not depreciated. It is recorded at historical or estimated historical cost and remains at that cost until disposal.

1. Recording Land Improvements –
 - a. Non-exhaustible – Expenditures for improvements that do not require maintenance or replacement are capitalized but not depreciated.
 - b. Exhaustible – Other improvements that are part of a site, such as parking lots, landscaping, and fencing, are depreciable. During initial implementation of GASB Statement 34, these improvements will be recorded separately to the extent that cost documentation is available.
2. Recording Buildings – Buildings will be recorded at either their acquisition cost or construction cost. Each building component (e.g., roof, HVAC systems, etc.) should be recorded separately because of the difference in the useful life of these components. During initial implementation of GASB Statement 34, these components will be recorded separately to the extent that cost documentation is available.
3. Recording Building Improvements – Building improvements that extend the useful life of a building and meet the capitalization threshold will be capitalized. During initial implementation of GASB Statement 34, these improvements will be recorded separately to the extent that cost documentation is available.
4. Recording Construction-in-progress – Construction-in-progress will be capitalized and not depreciated.
5. Recording Vehicles – Vehicles will be identified by asset tags, inventoried and depreciated.
6. Recording Furniture and Equipment – Assets such as furniture, machinery, and equipment should be identified and inventoried. If they meet the threshold levels, they will be capitalized and depreciated.
7. Interest on Debt Issued – Interest on debt issued for the construction of an asset will be capitalized as part of the asset's cost to the extent the interest incurred was only during the construction period.

C. Costs:

Capital assets shall be recorded at historical cost if the cost is reasonably determined. If historical cost data is not able to be determined, an estimated cost may be used.

1. Actual Cost – This will include not only the purchase or construction cost (which can be obtained through invoice, purchase order, and paid check files) but also charges necessary to place the asset in its intended location. This includes costs such as freight and transportation, site preparation expenditures, interest costs, professional fees, and legal claims directly attributable to asset acquisition.
2. Estimated Cost – This will be based on as much documentary evidence as can be found to support the cost, such as interviews with personnel and/or price level adjustments based on the Consumer Price Index for each asset.
3. Donated Cost – These assets will be based on their estimated fair market value at time of acquisition. A determination as to the fair market value basis will be included with property records.

- D. **Depreciation:**
 Depreciation is a method for allocating the cost of buildings and equipment over their useful lives. Generally accepted accounting principles dictate that the value of the capital asset must be written off as an expense over the useful life of the asset as an indirect cost. Annual depreciation expense will be calculated using the straight-line method. The Town will utilize the full month averaging convention. By using the full month averaging convention, property placed in service at any time during a given month is treated as if it was placed in service at the first day of that month, regardless of the actual day of the month acquired. Likewise, when the asset is disposed of, the actual date of disposal is disregarded, and the disposal date is the end of the month prior to the month of disposal (i.e. no depreciation is taken for the month of disposal). The salvage value of an asset is an estimate made by management of what the value of an asset will be at the end of its useful life.
- E. **Dollar Value and Life Expectancy Tests:**
 Individual assets (other than infrastructure and land) with an actual or estimated historical cost of \$10,000 or more and with a life expectancy of five years will be included in the capital asset records. Items under this dollar value will not be presented in the financial statements. All infrastructure that has an actual or estimated historical cost of \$10,000 or greater will be capitalized. All land that has an actual or estimated historical cost of \$1.00 or greater will be capitalized.
- F. **Asset Reduction:**
 Assets no longer owned by or in the possession of the Town shall be removed from the capital asset records.
1. Sold and/or Retired – These assets will be removed from the capital asset records upon formal notification from the responsible party of such disposition. Staff should be cautious about retiring assets still depreciating on the books. This will result in the department having to write off a loss in the year the asset was retired.
 2. Transferred Assets – Assets that are transferred to proprietary (business-type) funds will be accounted for separately from the governmental activities of the Town and will be removed from the capital asset records (in relation to governmental activities) upon transfer to a proprietary fund (i.e. the asset will be accounted for in the proprietary fund).
 3. Missing – Assets not seen for two consecutive annual inventories will be classified as missing and will be removed from the capital asset records upon formal notification to inventory control. These assets no longer will be searched for in regular annual inventories. However, if an asset is located at some time in the future, it will be reactivated in the system. A list of missing assets by departments should be presented to the Town Administrator on an annual basis.
- G. **Surplus Equipment:**
 The existing Town policy regarding the sale/disposal of surplus equipment will continue to be followed. A complete accounting of the assets and any proceeds must be reported back to the Finance/CAM department so that these items can be removed from the system.
- H. **Infrastructure**
 GASB Statement 34 requires Towns to capitalize and report Town-owned infrastructure at historical or estimated historical cost. The GASB defines infrastructure as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. The Town will initially capitalize its infrastructure by the following method:
1. Town-owned Roads and Infrastructure:

Town of Farragut will retroactively report roads at actual or estimated historical cost back to:

- July 1, 1980, or,
- The last time the road was upgraded on or after July 1, 1980, (gravel to oil-and-chip, etc.) or,
- The last time the road was replaced or resurfaced in a way that it extended the original useful life of the road (i.e. not considered routine maintenance) on or after July 1, 1980.

2. **Bridges:**

Town of Farragut will retroactively report bridges at actual or estimated historical cost back to:

- July 1, 1980, or,
- The last time the bridge was upgraded (wood to concrete, etc.), if this date was on or after July 1, 1980.
- Major renovations on or after July 1, 1980, that were not considered routine repairs that extended the original useful life of the bridge, will be capitalized.

3. **Right-of-ways and Other Easements:**

Right-of-ways and other easement rights that the Town did not incur a cost for will not be capitalized. If the easements were actually paid for by the Town, it should be capitalized by actual or estimated historical cost.

Capitalization Thresholds

A. **Capitalization and Depreciation:**

The following items will be capitalized and depreciated for GASB Statement 34 reporting purposes:

1.	Land	\$	1	(Capitalize Only)
2.	Land Improvements	\$	10,000	
3.	Buildings	\$	10,000	
4.	Building Improvements	\$	10,000	
5.	Roads and Bridges	\$	10,000	
6.	Vehicles	\$	10,000	
7.	Machinery and Equipment	\$	10,000	
8.	Furniture and Fixtures	\$	10,000	
9.	Construction in Progress	\$	1	(Capitalize Only)

Asset Type	Examples	Depreciable Life in Years
Non-Infrastructure		
Furniture, office equipment	Desks, Tables, Chairs, File Cabinets	5
Computer Hardware	Monitors, CPU, Printer	5
Telephone Equipment		10
Motor Vehicle		
Cars and Light Trucks		7
Buses		8-12
Fire Trucks		15
Medium or Large Truck		15
Buildings – Temporary	T-Buildings, Other Portables	25
Buildings		
HVAC Systems	Air-Conditioners, Heating, Ventilation Systems	40
Roofing		20
Carpet Replacement		7
Electrical/Plumbing		30
Kitchen Equipment	Appliances	12
Heavy Construction Equipment	Backhoes, Trucks, Dozers, Front-end Loaders, Etc.	5-15
Engineering, Scientific Equipment	Lab Equipment	10
Firefighting Equipment	Ladders, Hoses	10
Police Special Equipment		10
Medical Equipment		5
Traffic Control Equipment	Stoplights	10
Radio, Communication Equipment	Mobile, Portable Radios	10
Recreational/Athletic Equipment	Weight Machines, Mats, Golf Carts, Treadmills, Tackling Sled, Pitching Machines, Etc.	10
Library Books	Collections	5-7
Artwork	Collections	5-7
Outdoor Equipment	Playground Equipment, Scoreboards, Bleachers, Radio Towers	10
Custodial Equipment	Floor Scrubbers, Vacuums, Other	12
Grounds Equipment	Mowers, Tractors and Attachments	15
Land Improvements – structure	Parking Lots, Sidewalks, Bus Ramp, Fencing, Running Track, Flagpole	20
Land Improvements – groundwork	Golf Course, Ball Field, Park Landscaping	30
Landfill Disposal Systems		25
Land		No depreciation
Sewage Treatment Plants		25
Infrastructure		
Easements (if actually deeded to Town)		No depreciation
Drainage Systems		25
Water Systems		25
Sewage Disposal Works System		25
Curb		25
Gutter		25
Waterway		
Levees and Canals (unlined)		No depreciation
Canal Lining		30
Dams		
Concrete		50
Steel, Sheetpile		30
Earthen Embankment		No depreciation

	Asset Type	Examples	Depreciable Life in Years
Roads			
	Hot Mix		40
	Oil & Chip		40
	Gravel		50
Bridges			
	Wood		20
	Concrete (Box)		40
	Steel (Span)		40

Asset Type	Examples	Depreciable Life in Years
<u>Non-Infrastructure</u>		
Furniture, office equipment	Desks, Tables, Chairs, File Cabinets	5
Computer Hardware	Monitors, CPU, Printer	5
Telephone Equipment		10
<u>Motor Vehicle</u>		
Cars and Light Trucks		7
Buses		8-12
Fire Trucks		15
Medium or Large Truck		15
Buildings — Temporary	T-Buildings, Other Portables	25
<u>Buildings</u>		
HVAC Systems	Air-Conditioners, Heating, Ventilation Systems	20
Roofing		20
Carpet Replacement		7
Electrical/Plumbing		30
Kitchen Equipment	Appliances	12
Heavy Construction Equipment	Backhoes, Trucks, Dozers, Front-end Loaders, Etc.	5-15
Engineering, Scientific Equipment	Lab Equipment	10
Firefighting Equipment	Ladders, Hoses	10
Police Special Equipment		10
Medical Equipment		5
Traffic Control Equipment	Stoplights	10
Radio, Communication Equipment	Mobile, Portable Radios	10
Recreational/Athletic Equipment	Weight Machines, Mats, Golf Carts, Treadmills, Tackling Sled, Pitching Machines, Etc.	10
Library Books	Collections	5-7
Artwork	Collections	5-7
Outdoor Equipment	Playground Equipment, Scoreboards, Bleachers, Radio Towers	10
Custodial Equipment	Floor Scrubbers, Vacuums	12
Grounds Equipment	Other Mowers, Tractors and Attachments	15
Land Improvements — structure	Parking Lots, Sidewalks, Bus Ramp, Fencing, Running Track, Flagpole	20
Land Improvements — groundwork	Golf Course, Ball Field, Park Landscaping	30
Landfill Disposal Systems		25
Land		No Depreciation
Sewage Treatment Plant		25
<u>Infrastructure</u>		
Easements (if actually deeded to Town)		No Depreciation
Drainage Systems		25
Water Systems		25
Sewage Disposal Works System		25
Curb		25
Gutter		25
<u>Waterway</u>		
Levees and Canals (unlined)		No Depreciation
Canal Lining		30
Dams		
Concrete		30
Steel, Sheetpile		20
Earthen Embankment		No Depreciation
<u>Roads</u>		
Hot Mix Oil		40
Chip		40
Gravel		50
Bridges		

Wood	20
Concrete (Box)	40
Steel (Span)	40

groundwork

Golf Course, Ball Field, Park Landscaping

Landfill Disposal Systems Land 30

Sewage Treatment Plants Infrastructure

Easements (if actually deeded to Town) Drainage Systems

Water Systems

Sewage Disposal Works System Curb

Gutter

Waterway

Levees and Canals (unlined) Canal Lining

Dams

Concrete

Steel, Sheetpile Earthen Embankment

25

No depreciation 25

No depreciation 25

25

25

25

25

No depreciation 30

50

30

No depreciation

Roads

Hot Mix Oil & Chip Gravel

Bridges Wood

Concrete (Box) Steel (Span)





Cash Management Policy

Policy Statement

The Town shall manage cash in a manner that ensures adequate liquidity to satisfy current obligations, preserve financial stability, and support long-term fiscal health. Cash must be available to pay invoices, payroll, debt service, and other obligations when due. The objectives are to protect principal, ensure liquidity, and earn a reasonable return within the bounds of law and prudent risk management. This policy complies with Tennessee statutes and follows recognized best practices for local governments.

This policy applies to all public funds held by the Town of Farragut, including taxes, fees, fines, charges, grants, and any other monies collected or controlled by town departments and component units.

Authority and Governance

The Board of Mayor and Aldermen is responsible for adopting, reviewing, and amending this policy. The Finance Director–Treasurer is responsible for implementing the policy, establishing procedures, training staff, and ensuring compliance.

Internal Controls

The Finance Director–Treasurer shall establish written procedures addressing segregation of duties, authorization, physical security of cash, reconciliations, and audit trails.

Receipt of Funds and Deposits

Accepted payment methods include checks, money orders, credit cards, and debit cards. Daily receipts must be recorded, secured, and submitted with supporting documentation. Funds must be deposited within three working days of receipt, as required by Tennessee law. Each deposit requires supporting schedules and proper documentation.

Disbursements

Disbursements shall be made using pre-numbered checks or authorized electronic transfers, each properly approved and documented.

Banking and Depository Relationships

Depositories must be selected based on safety, services, collateral policies, and fees. Statements and required documentation must be maintained.



Cash Flow Planning

The Town shall maintain a minimum cash balance of at least six months of regular general fund operating expenditures. The Town shall prepare a rolling cash flow forecast and update it as needed to evaluate projected inflows, outflows, and liquidity needs throughout the year.

Petty Cash and Change Funds

Petty cash funds require written authorization, receipts for reimbursement, and periodic surprise counts.

Accounting, Reconciliation and Reporting

Daily reconciliations of collections are required with proper internal controls and segregation of duties in place. Bank statements shall be reconciled monthly by personnel independent of cash receipting.

Pooled Cash and Interfund Reimbursements

Where pooled cash accounts are used, the Town shall maintain accounting records sufficient to identify each fund's equity in pooled cash. Interfund reimbursements and transfers shall be made timely and in accordance with applicable accounting standards and Town procedures.

Restoration of Reserves

If reserve balances fall below minimum established levels, the Town shall implement prompt measures to restore those balances within a reasonable period. Such measures may include expenditure controls, revenue adjustments, budget amendments, or other corrective actions.

Investment of Excess Cash

Cash balances in excess of operating and reserve needs may be invested in accordance with Tennessee law and the Town's Investment Policy. Permitted investments include U.S. Treasury securities, agency securities, secured certificates of deposit, repurchase agreements, and the Local Government Investment Pool (LGIP).

TOWN OF FARRAGUT
RESOLUTION R-2025-09
Debt Management Policy

WHEREAS, the Tennessee State Funding Board adopted a statement on debt management directing governmental entities in Tennessee adopt their own debt management policies, and

WHEREAS, the goal of this policy is to assist decision makers in planning, issuing, and managing debt obligations by providing clear directions as to the steps, substance and outcomes desired; and

NOW THEREFORE BE IT RESOLVED THAT the Town of Farragut hereby adopts the following policy:

Town of Farragut, TN
Debt Policy

The purpose of this debt policy is to establish a set of parameters by which debt obligations will be undertaken by the Town of Farragut, TN. This policy reinforces the commitment of the Town and its officials to manage the financial affairs of the Town so as to minimize risk, avoid conflicts of interest and ensure transparency while still meeting the capital needs of the Town. A philosophy of avoiding debt of any kind is the Town's primary policy. However, having a written debt management policy, if having debt becomes necessary, signals to the public and the rating agencies that the Town is using a disciplined and defined approach to financing capital needs and fulfills the requirements of the State of Tennessee regarding the adoption of a debt management policy.

The goal of this policy is to assist decision makers in planning, issuing and managing debt obligations by providing clear direction as to the steps, substance and outcomes desired. In addition, greater stability over the long-term will be generated by the use of consistent guidelines in issuing debt.

Definition of Debt: All obligations of the Town to repay, with or without interest, in installments and/or at a later date, some amount of money utilized for the purchase, construction, or operation of Town resources. This includes but is not limited to notes, bond issues, financing leases (formerly called capital leases), and loans of any type (whether from an outside source such as a bank or from another internal fund).

Approval of Debt: Bond anticipation notes, capital outlay notes, grant anticipation notes, and tax and revenue anticipation notes (including and interfund loans) and certain non-exempt financing leases will be submitted to the State of Tennessee

Comptroller's Division of Local Government Finance and the Board of Mayor and Aldermen prior to adoption of the authorized resolution for capital outlay notes and prior to issuance or entering into all other notes. A plan for refunding debt issues will also be submitted to the Comptroller's Office prior to adoption of the authorizing resolution by the governing body and issuance.

Transparency:

- The Town shall comply with legal requirements for notice and for public meetings related to debt issuance.
- All notices shall be posted in the customary and required posting locations, including local newspapers, bulletin boards, and websites as required.
- All costs (including principal, interest, issuance, continuing, and one-time) shall be clearly presented and disclosed to the citizens, Board of Mayor and Aldermen, and other stakeholders in a timely manner.
- The terms and life of each debt issue shall be clearly presented and disclosed to the citizens/members, Board of Mayor and Aldermen, and other stakeholders in a timely manner.
- A debt service schedule outlining the rate of retirement for the principal amount shall be clearly presented and disclosed to the citizens/members, Board of Mayor and Aldermen, and other stakeholders in a timely manner.

Role of Debt:

- Long-term debt shall not be used to finance current operations. Long-term debt may be used for capital purchases or construction identified through the capital improvement plan, regional development, transportation, or master process or plan. Short-term debt may be used for certain projects and equipment financing as well as for operational borrowing; however, the Town will minimize the use of short-term cash flow borrowings by maintaining adequate working capital for enterprise funds, available cash for governmental funds, and close budget management.
- In accordance with Generally Accepted Accounting Principles and state law,
 1. The maturity of the underlying debt will not be more than the useful life of the assets purchased or built with the debt, not to exceed 30 years; however, an exception may be made with respect to federally sponsored loans, provided such an exception is consistent with law and accepted practices.
 2. Debt issued for operating expenses must be repaid within the same fiscal year of issuance or incurrence.

Types and Limits of Debt:

- The Town will seek to limit total outstanding debt obligations to the following schedule, excluding overlapping debt, enterprise debt, and revenue debt.

Ratio	Value
General Fund Balance Requirement	30%
Average Life of Total Debt	≤10 Years
Percentage of Principle Paid within 10 years	≥60%
Per Capita Debt/Per Capita Income	≤4%
Debt Service/General Fund Operating Expense	≤12%

- The limitation on total outstanding debt must be reviewed prior to the issuance of any new debt.
- The Town’s total outstanding debt obligation will be monitored and reported to the Board of Mayor and Aldermen by the Finance Director. The Finance Director shall monitor the maturities and terms and conditions of all obligations to ensure compliance. The Finance Director shall also report to the Board of Mayor and Aldermen any matter that adversely affects the credit or financial integrity of the Town.
- The Town has issued General Obligation Capital Outlay Notes in the past and is authorized to issue General Obligation bonds, Revenue bonds, TIFs, loans, notes, financing leases, and other debt allowed by law.
- The Town will seek to structure debt with level or declining debt service payments over the life of each individual bond issue, loan or other debt obligation.
- As a rule, the Town will not backload, use “wrap-around” techniques, balloon payments or other exotic or unconventional formats to pursue the financing of projects. When refunding opportunities, natural disasters, other non-general fund revenues, or other external factors occur, the Town may utilize non-level debt methods. However, the use of such methods shall be discussed in a public meeting, and the Board of Mayor and Aldermen may determine such use is justified and in the best interest of the Town, provided it is submitted to the Comptroller’s Office for approval prior to issuing debt.
- The Town may use financing leases (formerly called capital leases) to finance projects. The Town will follow the guidance established by the Comptroller of the Treasury, Division of Local Government Finance when assessing potential financing leases. This guidance is pursuant to TCA 9-24-101 “Uniformity in Local Government Lease Financing Act of 2021” and the Division of Local Government Finance’s Debt Manual.

Bonds backed with a general obligations pledge often have lower interest rates than revenue bonds. The Town may use its General Obligation pledge with revenue bond

issues when the populations served by the revenue bond projects overlap or are substantially the same as the property tax base of the Town. The Board of Mayor and Aldermen and management are committed to maintaining rates and fee structures of revenue supported debt at levels that will not require a subsidy from the Town's General Fund.

- Use of Variable Rate Debt:
- The Town recognizes the value of variable rate debt obligations and that cities have greatly benefitted from the use of variable rate debt in the financing of needed infrastructure and capital improvements.
- However, the Town also recognizes there are inherent risks associated with the use of variable rate debt and will implement steps to mitigate these risks; including:
 1. The Town will annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.
 2. Prior to entering into any variable rate debt obligation that is backed by insurance and secured by a liquidity provider, the Board of Mayor and Aldermen shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the insurance fail.
 3. Prior to entering into any variable rate debt obligation that is backed by a letter of credit provider, the Board of Mayor and Aldermen shall be informed of the potential affect on rates as well as any additional costs that might be incurred should the letter of credit fail.
 4. Prior to entering into any variable rate debt obligation, the Board of Mayor and Aldermen will be informed of any terms, conditions, fees, or other costs associated with the prepayment of variable rate debt obligations.
 5. The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any variable rate debt obligation.

Use of Derivatives:

- The Town chooses not to use derivative or other exotic or unconventional financial structures in the management of the Town's debt portfolio.
- Prior to any reversal of this provision:
 1. A written management report outlining the potential benefits and consequences of utilizing these structures must be submitted to the Board of Mayor and Aldermen; and
 2. The Board of Mayor and Aldermen must adopt a specific amendment to this policy concerning the use of derivatives or interest rate agreements that complies with the State Funding Board Guidelines.

Costs of Debt:

- All costs associated with the initial issuance or incurrence of debt, management and repayment of debt (including interest, principal, and fees or charges) shall be disclosed prior to action by the Board of Mayor and Aldermen in accordance with the notice requirements stated above.
- In cases of variable interest or non-specified costs, detailed explanation of the assumptions shall be provided along with the complete estimate of total costs anticipated to be incurred as part of the debt issue.
- Costs related to the repayment of debt, including liabilities for future years, shall be provided in context of the annual budgets from which such payments will be funded (i.e. General Obligations bonds in context of the General Fund, Revenue bonds in context of the dedicated revenue stream and related expenditures, loans and notes).

Refinancing Outstanding Debt:

- The Town will refund debt when it is in the best financial interest of the Town to do so, and the Finance Director shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Comptroller's Office must review the refunding plan prior to the decision being approved by the Board of Mayor and Aldermen, , and all plans for current or advance refunding (no longer tax-exempt) of debt must be in compliance with state laws and regulations.
- The Finance Director will consider the following issues when analyzing possible refunding opportunities:
 1. Onerous Restrictions – Debt may be refinanced to eliminate onerous or restrictive covenants contained in existing debt documents, or to take advantage of changing financial conditions or interest rates.
 2. Restructuring for Economic Purposes – The Town will refund debt when it is in the best financial interest of the Town to do so. Such refunding may include restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, or to release reserve funds. Current refunding opportunities may be considered by the Finance Director if the refunding generates positive present value savings of at least 4%.
 3. Term of Refunding Issues – The Town will refund bonds within the term of the originally issued debt. However, the Finance Director may consider maturity extension when necessary to achieve the desired outcome, provided such extension is legally permissible. The Finance Director may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

4. Escrow Structuring – The Town shall utilize the least costly securities available in structuring refunding escrows. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Town from its own account.
5. Arbitrage – The Town shall consult with persons familiar with the arbitrage rules to determine applicability, legal responsibility, and potential consequences associated with any refunding.

Professional Services:

The Town shall require all professionals engaged in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by both the Town and the lender or conduit issuer, if any. This includes “soft” costs or compensations in lieu of direct payments.

- **Counsel:** The Town shall enter into an engagement letter agreement with each lawyer or law firm representing the Town in a debt transaction. *(No engagement letter is required for any lawyer who is an employee of the Town or lawyer or law firm which is under a general appointment or contract to serve as counsel to the Town. The Town does not need an engagement letter with counsel not representing the Town, such as underwriters’ counsel.)*
- **Financial Advisor:** (If the Town chooses to hire financial advisors) **The Town shall enter into a written agreement with each person or firm serving as financial advisor for debt management and transactions. Ongoing relationships with a financial advisor should be reviewed every three years.**
 - Whether in a competitive sale or negotiated sale, the financial advisor shall not be permitted to bid on, privately place or underwrite an issue for which they are or have been providing advisory services for the issuance or broker any other debt transactions for the Town
- **Underwriter:** (If there is an underwriter) The Town shall require the Underwriter to clearly identify itself in writing (e.g., in response to a request for proposals or in promotional materials provided to an issuer) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Town with respect to that issue. The Underwriter must clarify its primary role as a purchaser of securities in an arm’s-length commercial transaction and that it has financial and other interests that differ from those of the Town. The Underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Board of Mayor and Aldermen in advance of the pricing of the debt.

Conflicts:

- Professionals involved in a debt transaction hired or compensated by the Town shall be required to disclose to the Town existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, liquidity or credit enhancement provider, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the Town to appreciate the significance of the relationships.
- Professionals who become involved in the debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform, are not subject to this disclosure. No disclosure is required that would violate any rule or regulation of professional conduct.

Review of Policy:

This policy shall be reviewed at least annually by the Board of Mayor and Aldermen with the approval of the annual budget. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy, with opportunity for public input.

Compliance:

The Finance Director is responsible for ensuring compliance with this policy.


TCA References:

TCA 7-57-901 thru 911 – Contracts, Leases, and Lease Purchase Agreements
TCA 9, Part 21 – Local Government Public Obligations Law
TCA 9-24-101 – Uniformity in Local Government Lease Financing Act of 2021
Government Finance Officers Associations (GFOA)

This Resolution is duly adopted by the Board of Mayor and Aldermen of the Town of Farragut on this 14th day of August 2025.



Ron Williams, Mayor



Allison Myers, Town Recorder



TOWN OF FARRAGUT

RESOLUTION 2025-08

Fund Balance Policies as required by GASB 54

WHEREAS, the Governmental Accounting Standards Board ("GASB") has adopted Statement 54 ("GASB 54"), a standard for governmental fund balance reporting and governmental fund type definitions that became effective in governmental fiscal years starting after June 15, 2010, and

WHEREAS, the Town of Farragut elected to implement GASB 54 requirements, and to apply such requirements to its financial statements; and

WHEREAS, in accordance with recommendations from the Tennessee Comptroller of the Treasury and best practices for municipal financial management, this Fund Balance Policy shall be reviewed and reaffirmed annually by resolution of the Board of Mayor and Aldermen; and

NOW THEREFORE BE IT RESOLVED THAT the Town of Farragut hereby adopts the following policy:

FUND BALANCE POLICY

The Fund Balance Policy provides guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The Fund Balance Policy is established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a Fund Balance Policy is for the Town to be in a strong fiscal position that will allow for better position to weather negative economic trends.

The Fund Balance consists of five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable Fund Balance** consists of funds that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.
- **Restricted Fund Balance** consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.
- **Committed Fund Balance** consists of funds that are set aside for a specific purpose by the Town's highest level of decision making authority (Board of Mayor and Aldermen). Formal action must be

taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

- **Assigned Fund Balance** consists of funds that are set aside with the intent to be used for a specific purpose by the Town's highest level of decision making authority or an official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.
- **Unassigned Fund Balance** consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

Nonspendable and Restricted Funds

Nonspendable funds are those funds that cannot be spent because they are either:

- 1) Not in spendable form (e.g. inventories and prepaids)
- 2) Legally or contractually required to be maintained intact

It is the responsibility of the Finance Director to report all Non spendable Funds appropriately in the Town's Financial Statements.

Restricted funds are those funds that have constraints placed on their use either:

- 1) Externally by creditors, grantors, contributors, or laws or regulations or other governments
- 2) By law through constitutional provisions or enabling legislation.

It is the responsibility of the Finance Director to report all Restricted Funds appropriately in the Town's Financial Statements. All Restricted Funds must also be reported to the Town's governing body within two months of the end of the fiscal year.

Order of Use of Restricted and Unrestricted Funds

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

Authority to Commit Funds

The Town's governing body has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of an ordinance by a simple majority vote. The passage of an ordinance must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the ordinance must state the process or formula necessary to calculate the actual amount as soon as information is available.

Stabilization Funds

The Town's governing body has the authority to establish a Financial Stabilization Account that will be a Committed Fund Balance. A Financial Stabilization Account is established for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g. flood, tornado, etc.). The minimum level for the Financial Stabilization Account is 5% of General Fund expenditures. The recognition of an urgent event must be established by the governing body or their designee (e.g. Town Administrator). If established by the

governing body's designee, the specific urgent event must be reported to the governing body at their next meeting. A budget amendment must be approved by the Town's governing body. In the event that the balance drops below the established minimum level, the Town's governing body will develop a plan to replenish the Financial Stabilization Account balance to the established minimum level within four years.

Authority to Assign Funds

Upon passage of the Fund Balance Policy, authority is given to the Town Administrator to assign funds for specific purposes in an amount not to exceed \$25,000 per purpose or in total not to exceed \$200,000. Any funds set aside as Assigned Fund Balance must be reported to the Town's governing body at their next regular meeting and recorded in the minutes. The governing body has the authority to remove or change the assignment of the funds with a simple majority vote.

The Town's governing body has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a simple majority vote and must be recorded in the minutes. The same action is required to change or remove the assignment.

Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the Finance Director shall record the amount as Assigned Fund Balance.

Unassigned Fund Balance

Unassigned Fund Balance is the residual amount of Fund Balance in the General Fund. It represents the resources available for future spending. An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls.

Unassigned Fund Balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the Town's governing body. In the event of projected revenue shortfalls, it is the responsibility of the Finance Director to report the projections to the Town's governing body on a quarterly basis and shall be recorded in the minutes.

Any budget amendment that will result in the Unassigned Fund Balance dropping below the minimum level will require the approval of 2/3 vote of the Town's governing body.

The Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 30% of General Fund expenditures. In the event that the balance drops below the established minimum level, the Town's governing body will develop a plan to replenish the fund balance to the established minimum level within two years.

This Resolution is duly adopted by the Board of Mayor and Aldermen of the Town of Farragut on this 26th day of June 2025.



Ron Williams, Mayor



Allison Myers, Finance Director/Town Recorder



TOWN OF FARRAGUT INTERNAL CONTROL MANUAL

June 30, 2016

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Internal Control Manual

2 INTRODUCTION

The Town of Farragut has the responsibility to its constituents to be good stewards of public monies and property. In our efforts to serve the public as town officials or employees, the Town established this Internal Control Manual using widely recognized best practices and state and federal directives.

State of Tennessee statutes require the Comptroller's Office, Department of Audit to prescribe uniform accounting systems for entities that handle public funds. Those statutes require public officials to adopt and use the system designated by the Comptroller's Office. The Tennessee Legislature amended TCA Section 9-2-102 in 2015 to require local governments to establish and maintain internal controls in accordance with guidance issued by the U.S. Government Accountability Office (GAO). The guidance is titled *Standards for Internal Control in the Federal Government* (Green Book). The Green Book follows the format developed by the Committee of Sponsoring Organizations (COSO) which has been the gold standard of internal control for all entities except the federal government for several years.

The internal control system consists of three objectives and 5 main components. Within the 5 components there are 17 principles that apply to certain components. The state considers the 5 elements mandatory and the 17 principles are optional. The Town of Farragut has chosen to only address the minimum requirements of the state in this manual however the 17 principles from the Green Book are presented below for informational purposes and to help explain the 5 components.

THREE (3) OBJECTIVES OF INTERNAL CONTROLS:

1. Reporting – reliability
2. Operations – effective and efficient
3. Compliance – compliant with applicable laws, regulations, contracts and grant agreements

FIVE (5) MAIN COMPONENTS OF INTERNAL CONTROLS THAT ARE REQUIRED TO BE ADDRESSED:

1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring

The purpose of this manual is to ensure that the objectives of reporting and compliance are established. The policies to achieve the objectives are derived from various financial best practices, state and federal laws, and regulations and policies may be developed to suit specific needs of town functions and resources. Detailed procedures are then developed and documented as a means for towns to comply with its established policies.

Figure 3: The Five Components and 17 Principles of Internal Control:

CONTROL ENVIRONMENT:

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

RISK ASSESSMENT:

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

CONTROL ACTIVITIES:

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

INFORMATION AND COMMUNICATION:

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

MONITORING:

16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.

Source: GAO. GAO-14-704G.

3 CONSIDERATIONS IN DEVELOPMENT OF INTERNAL CONTROLS

Internal control is defined as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance the town's objectives will be achieved. Before developing its Internal Control System (ICS), the town as a whole and each department should determine its mission, strategic goals and objectives, and then formulate a plan to achieve those objectives. The internal controls are policies and procedures put in place to help achieve those goals and objectives. By describing how a town/department expects to meet its various goals and objectives by using compensating controls to minimize risk, the entire town becomes more aware of expectations. Each department's internal control plan will be unique; however it must be based on polices included in this guide which incorporates or references to other comprehensive state, federal or standard setting agency polices that have been adopted.

Consistent monitoring of all components will ensure that the ICS (which must be reviewed and updated at least annually) is updated whenever changing conditions justify.

Since a town/department's policies and procedures are the control activities for its internal control plans, it is important that they be reviewed in conjunction with the plans and referenced where appropriate. Everyone in the town has a responsibility to ensure that internal controls operate effectively.

As directed by T.C.A. 9-18-102 (a) and in accordance with the guidance issued by Tennessee Comptroller's Office, the town has adopted this internal control manual. It is critical to note that the development and operation of the internal control system involves everyone in the organization. As such, management must ensure that the manual is shared with all of its employees. The manual is a work in process and will be assessed periodically.

The following sections document the 5 components of internal control and significant financial and compliance areas that are deemed high risk.

3.1 THE GREEN BOOK STATES DOCUMENTATION IS MANAGEMENT'S RESPONSIBILITY:

3.09 Management develops and maintains documentation of its internal control system.

*3.10 Effective documentation assists in management's design of internal control by establishing and communicating the **who, what, when, where, and why** of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.*

4 FIVE COMPONENTS OF INTERNAL CONTROL

4.1 CONTROL ENVIRONMENT

Overview

The control environment is the foundation for **all** other components of internal control, providing discipline and structure. Moreover, management establishes the tone at the top regarding the importance of internal control and expected standards of conduct, and reinforces expectations at various levels. Control environment factors include the integrity, ethical values and competence of the town's personnel; the way management assigns authority and responsibility, and organizes and develops its personnel; and the attention and direction provided by the governing body.

OBJECTIVES

1. The governing body and management should conduct business with integrity and ethical behavior.
2. Provide direction and oversight for town's internal control system.
3. Hire qualified and competent management.
4. Establish structure, authority and responsibility and hold individuals accountable for internal control responsibilities

Policies

1. A conflict of interest form is completed annually by all employees and officials.
2. The governing body through management has adopted a personnel manual which includes job descriptions with minimum job requirements.
3. The governing body also uses the budget process as a means of oversight with department heads.
4. Organizational charts are reviewed for needed changes in regards to authority and responsibility.

4.1 Control Environment (Continued)

Procedures

Procedures of policy 1

- The Accounting Clerk is responsible for preparing the annual conflict of interest forms for distribution.
- The forms are distributed with the last payroll receipt in October and it must be returned before the employee's W-2 will be released.
- The forms are filed in one folder labeled with the calendar year and when all have been collected the folder is sent to the Town Recorder/Treasurer for review.
- If there are any conflicts documented or any conflicts suspected but not documented the cases should be discussed with the Town Administrator.
- The Town Administrator will schedule a meeting with the employee in question to discuss the conflict and a resolution will be made.
- The Town Administrator will question the employee to determine if a suspected conflict exists that the employee was not aware was a problem and a resolution will be made.

Procedures for policy 2 and 3

- The Town Administrator should review the annual audit for internal controls findings. A corrective action plan is to be developed and submitted
- The town holds annual required training where human resource topics are covered.
- Training agendas, content and sign-sheets are reviewed to ensure all employees have attended.
- Detailed job descriptions with minimum job requirements are a part of the town's personnel manual. The minimum job requirements are based on like positions in similar governments and will meet state or federal requirements if applicable.
- Hiring procedures are detailed in the manual and prohibit hiring anyone who does not meet the minimum job requirements.

4.1 Control Environment (Continued)

Procedures for policy 4

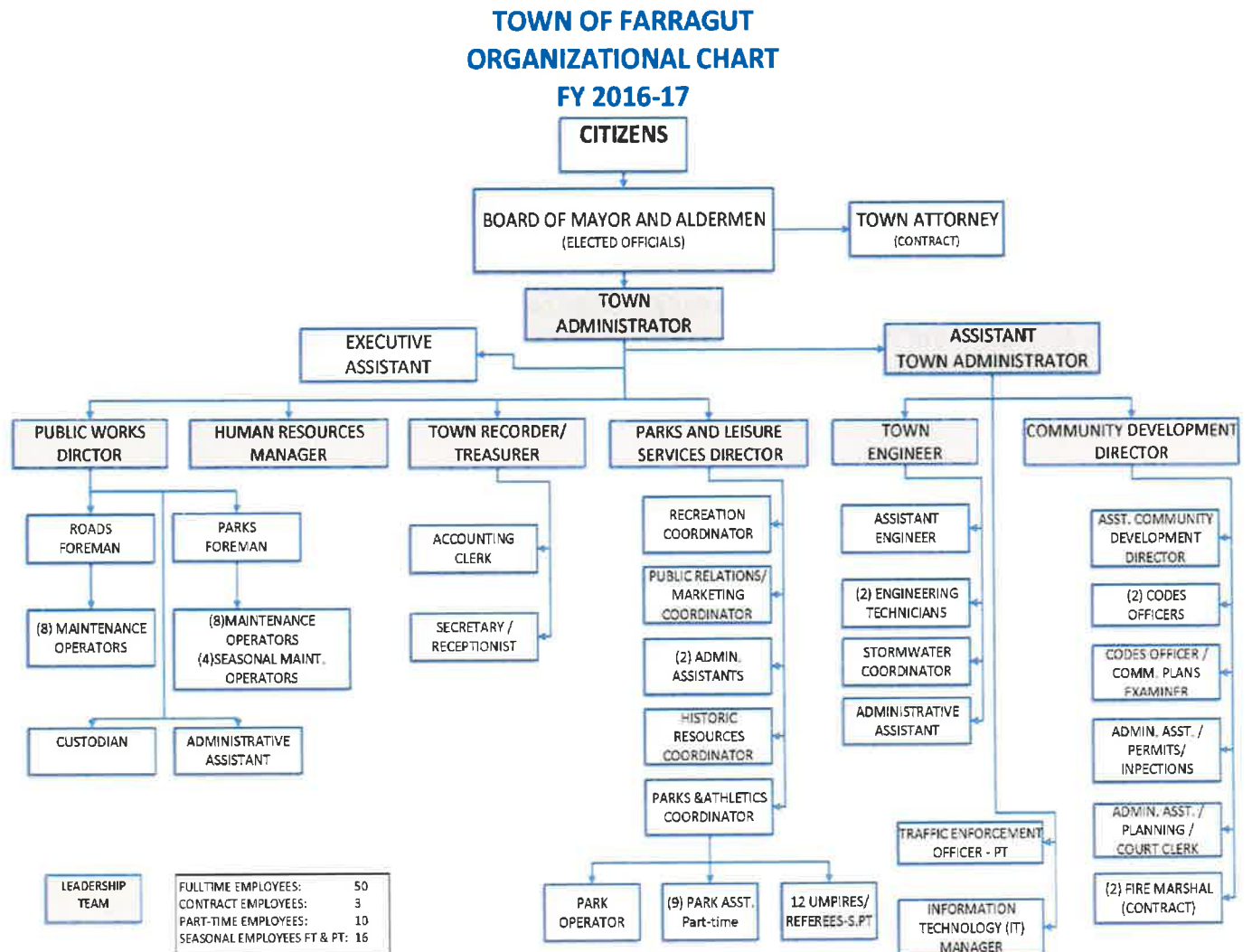
- In the second week in January the Town Recorder/Treasurer sends all department heads the budget worksheets for the up-coming fiscal year. The budgets are due back to the Town Recorder/Treasurer by the 3rd Wednesday in February.
- The Town Recorder/Treasurer estimates revenues using the past 3 years collection history and current growth indicators along with any current information relevant to the revenue streams. The Town Recorder/Treasurer will also estimate all the appropriations not otherwise assigned to a department head, enter the department head's budgets, and prepare the capital budget with a funding plan.
- The first budget workshop is on the 2nd Thursday in March. The General Fund Revenues/Expenditure Projections, and Program Changes are presented to the governing body.
- The Capital Investment Program Fund and Equipment Fund proposed budgets are due the 1st Wednesday of March.
- The second budget workshop is on the 4th Thursday in March. The Capital Investment Program is presented to the governing body.
- The third budget workshop is on the 2nd Thursday in April. The Equipment Fund, State Street Aid Fund and CIP (if needed) are presented to the governing body.
- The Town Administrator works with staff to finalize the proposed budget.
- The Town Recorder/Treasurer will prepare the budget ordinance for its first reading at the May or June board meeting and the second reading to be heard at the second meeting in June.
- The required public notice will be placed in the local newspaper no less than 10 days prior to second (final) reading.

Procedures for policy 5

- Town organizational charts were developed based on the town structure required in the town charter.
- The charts are reviewed annually as positions are added or changed to determine if the reporting structure, authority, and responsibility documented in the chart is still accurate.
- As part of the personnel manual, all positions have detailed job descriptions which identifies the immediate supervisor and explains the responsibilities of the position.
- The charts are updated if a job description is changed.

4.1.1 Organizational Charts

4.1.1.1 Mayor-Aldermanic Charter



4.2 RISK ASSESSMENT

Overview

Town officials and management assess risk of operations continually. The town has chosen to transfer the most common types of risk through the purchase of the following types of insurance:

- Property and Casualty
- Liability
- Errors and Omissions
- Worker Compensation

There are risks we cannot anticipate or know about and as it relates to financial and compliance issues. We have assessed the following areas and identified certain risks that we feel need to be addressed by the development of internal control policies and procedures. Internal controls will not eliminate all risk but will help reduce risk to gain reasonable assurance that reporting and compliance objectives are being met.

Objectives

1. **Collections** are complete, timely and accurate.
2. **Disbursements** are for a valid town purpose and properly recorded.
3. **Assets** are properly safeguarded.
4. Town is in **compliance** with contractual, local, state and federal laws and regulations.

Risk

Objective 1

1. Collections could be lost or misappropriated.
2. Collections could be recorded improperly.
3. Collections may not be deposited in the bank and recorded timely.

4.2 Risk Assessment (Continued)

Risk

Objective 2

1. Disbursements could be unauthorized.
2. Disbursements could be for personal items.
3. Disbursements could be made for items never received.

Risk

Objective 3

1. Bank balances may be inaccurate due to failure to reconcile bank accounts.
2. Capital assets or inventory items could be missing.

4.3 CONTROL ACTIVITIES

Overview

The objectives, policies and implemented procedures will be described for each of the significant areas identified in the Risk Assessment section.

4.3.1 *General Collections/ACHs*

Objectives

1. Collections are complete, timely and accurate.
2. Collections are safeguarded.
3. Collections should be recorded accurately and timely in the accounting system.

Policies

Objective 1

1. A receipt will be issued for each collection made.
2. Each cashier will have their own cash drawer.
3. Two people will count down each cash drawer daily and sign the report.
4. No checks will be cashed from the cash drawers.
5. All cash drawers will be closed out and counted daily.
6. All funds will be deposited no later than three working days later.
7. Any monies collected at decentralized locations must be at town hall by 3:00 pm daily.
8. There will be no checks or cash left out of a deposit. If there is a question as to how it should be processed, it will be deposited as miscellaneous revenue in the General Fund to be resolved later.

Procedures

Procedures for policies 1-9

- Cashiers should stamp or endorse via Incode printer all checks “for deposit only” and posted to the Town’s receipting system. Receipt lists date, amount, payer, proper accounting code, cash, check or credit card. A copy is given to every customer and one retained with daily cash report.
- All cash and duplicate receipts should be locked in the vault not later than the end of the business day.
- A daily collection report should be prepared by the Accounting Clerk.
- The Accounting Clerk shall be responsible for making deposits and **all collections must be deposited no later than three (3) working days after initial receipt**. Deposit receipts should also be retained and matched against the collection reports.
- The Town Recorder/Treasurer will reconcile the deposit slips, and bank statements on a monthly basis. Dates will be compared to deposit records for timeliness. Receipts will be reviewed for accurate amounts, coding, proper signature and other required information.
- The Town Recorder/Treasurer will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.

4.3.1 General Collections (continued)

Policies

Objective 2

9. All cash drawers are locked in the vault during closed hours.
10. Access to the vault is always restricted.
11. Deposit bag is secured until deposited.
12. At no time will cash be left out in the open unattended.
13. Employees are prohibited from comingling town assets with personal assets.

Procedures

Procedures for policies 10 - 15

- All cash drawers should be placed in the vault and locked for the night and the weekend.
- All cash drawers will be closed and counted away from the front desk and will be done one at a time so there is always one cashier to take payments.
- The Town Recorder/Treasurer will reconcile the deposit slips, and bank statements on a monthly basis.
- The Town Recorder/Treasurer will periodically perform surprise cash counts to ensure there are no personal checks being held in the cash drawers and to ensure the drawers are in balance.
- The Town Recorder/Treasurer is the only person authorized to have computer software support change restrictions or change control levels.

4.3.1 General Collections (continued)

Policies

Objective 3

14. Chart of accounts codes will be reviewed with cashiers on a regular basis.
15. All daily collection reports are posted to the general ledger by the Accounting Clerk.
16. All accounting system updates and changes are discussed with office staff and appropriate changes made if necessary.
17. Reconciliations are performed monthly by the Town Recorder/Treasurer.

Procedures

Procedures for polices 16-19

- All revenue codes used by the town are kept with each cashier. The Town Recorder/Treasurer will notify the cashiers if an account code is changed or added.
- The Town Recorder/Treasurer will notify the office staff when computer updates are scheduled. Staff is to report any problems to the Town Recorder/Treasurer immediately.
- The Town Recorder/Treasurer will reconcile the deposit slips, and bank statements on a monthly basis.

4.3.2 General Disbursements/Drafts

Objectives

- Disbursements are for a valid town purpose and necessary.
- Disbursements are timely.
- Disbursements are accurately coded and recorded in the accounting system.
- Disbursements are legally appropriated.

Policies

Objective 1 and 2

1. The town has adopted purchasing policies that comply with state law.
2. Various levels of authority have been assigned.
3. Purchase orders and invoices are matched and sent to Accounting Clerk for payment as soon as possible.
4. Checks are written weekly to ensure invoices are paid timely.
5. All checks require two signatures.
6. All checks must have documentation attached at the time of signing.

Procedures

Procedures for policies 1-3

- Department Heads shall complete a purchase requisition and attach all documentation
- See the Town's purchasing policy for complete details

4.3.2 General Disbursements/Drafts (continued)

Procedures for policies 4-6

- Checks are processed weekly. Requests are due by Tuesdays and checks are processed on Wednesday
- Check request must be approved by the Department Head and possibly the Town Recorder/Treasurer and Town Administrator, depending on requisition amount.
- Check must be signed by two of the following: Mayor, Vice-Mayor, Town Recorder/Treasurer and/or Human Resources Manager.
- Checks shall remain on the premises until signed & executed

Policies

Objective 3 and 4

7. The accounting department uses a computerized accounts payable system.
8. All requisitions are coded by department and verified by the Accounting Clerk.
9. Invoices are entered in the accounts payable system.
10. The Town Recorder/Treasurer reviews the accounts payable before signing the checks.
11. Budget availability is verified by the Accounting Clerk prior to check run.

Procedures

Procedures for policies 7-11

- Accounting Clerk will enter invoices as received
- As invoices are enter into the accounting system, the Accounting Clerk will verify the requisition codes to the system codes
- Receipt, invoice or other documentation must be attached to the requisition at the time of submittal. Request for payment will not be entered until all information is complete.
- Once invoices are entered and checks are cut, the Town Recorder/Treasurer will review and sign each requisition and check. Depending on the requisition amount, the Town Administrator will approve before the checks are signed.

4.3.2 General Disbursements/Drafts (continued)

4.3.2.1 Payroll disbursements and payroll liabilities

Objectives

1. Disbursements are for employees of the Town.
2. Disbursements are bi-weekly.
3. Disbursements are accurately reported and recorded in the accounting system.
4. Disbursements are legally appropriated.

Policies

- Objectives 1-4
- Department Heads will approve time sheets
- Accounting Clerk will enter the payroll information into the accounting system.
- Annual and sick leave accrued monthly
- Payroll disbursements will be made via ACH

Procedures

- Departments heads will review, approve and submit payroll sheets to the Accounting Clerk
- The Accounting Clerk will enter the payroll information into the accounting system
- The last payroll of the month, the Accounting Clerk will accrue annual and sick leave
- Accounting Clerk will verify all information entered into the accounting system before checks are run
- An ACH file is completed and sent to the Town's bank
- Social security and federal taxes are also submitted via ACH
- Check stubs are printed for employee records

4.3.3 Safeguarding of Assets

Objectives

1. Ensure town assets are properly valued and protected.
2. Ensure Cash, Accounts Receivable and other asset accounts are reconciled.
3. Ensure investments are safe and in accordance with adopted investment policy.
4. Ensure town assets are protected against loss, misappropriation or theft.

Policies

1. All bank account statements (checking, savings, investments, etc.) are reconciled to the municipal general ledger accounts within 20 days of the date of the statement.
2. All bank accounts are appropriately collateralized. Any bank account balance that exceeds the FDIC coverage limit will be covered at 105% of the balance as per state statute. Any bank account balance maintained in a bank participating in the State Collateral Pool will be made to verify annually the accounts held are classified on the records of the bank as "Public."
3. All bank accounts are held in financial institutions under the municipality's name.
4. All withdrawals, checks, liquidations, etc., from any bank account requires two signatures.
5. All investments require two signatures.
6. Inventory records contain enough information to readily identify corresponding capital assets. Capital assets are tagged or otherwise identified during a physical inventory that is performed annually.
7. Proper safeguards are in place to prevent theft or loss of assets.

Procedures

Procedures for policies 1-5

- The Town Recorder/Treasurer shall reconcile all bank statements by the 20th of the following month.
- The Town Recorder/Treasurer will verify with the bank, annually, that all accounts are classified as "public"
- The Town has two main accounts, operating account and payroll account. The others are for FSA, Health Savings Account and projects over \$500,000

Procedures for policies 6-7

- All inventory of assets are maintained in the accounting software
- The assets are reviewed annually prior to the auditing of the financial statements
- Department Heads submit any new assets over \$1,000 to the Town Recorder/Treasurer

4.3.4 Compliance

Objectives

1. Ensure that state law regarding the issuance of debt is followed.
2. Ensure that state and federal grant regulations are understood and followed.

Policies

Objective 1

1. The town has adopted a debt management policy in accordance with state requirements.
2. The Town Recorder/Treasurer is well versed on the state requirements for issuing debt.

Procedures

Procedures for Policies 1-2

- The Town will review the Debt Policy annually, prior to the Budget process

4.4 INFORMATION AND COMMUNICATION

Overview

Management has the responsibility to adequately communicate and provide information to both internal and external parties. It is important that employees know the objectives, policies and procedures management has established and what the expectations are for internal controls. External stakeholders also seek information regarding objectives and reliable financial information.

Objectives

1. Necessary quality information for achieving the entity's objectives is available and used.
2. Necessary quality information for achieving the entity's objectives is internally communicated by management.
3. Necessary quality information for achieving the entity's objectives is externally communicated by management.

Policies

1. Information maintained in a format should be communicated in that same format. For example, if the general ledger is maintained on computer, the monthly budget to actual reports should be provided through a computer generated report from that software package.
2. Reliable and accurate quality information from municipal internal sources must be communicated to the people who need it in a timely and useful format.
3. Because the credibility of the municipality, its governing body, and its public officials is at stake whenever information is released to outside parties, management should be confident the information being released is accurate and the release is in compliance with policies and procedures.

Procedures

Procedures for policy 1

- Review and document the information requirements to achieve key objectives and address the risks of the government.
- Review and document changes that occur in the local government's objectives and the related changes in information requirements.
- Identify and evaluate the reliability and timeliness of relevant data from both internal and external sources.
- Review and evaluate whether data has been processed into quality information that allows management to make informed decisions and evaluate whether the local government is achieving its objectives

Procedures for policy 2

- Management clearly defines the lines of communication through policy manuals and organizational charts.
- Management has communicated the types of information required to achieve objectives and address risks.
- All internal control documents and related reports will be available to all staff in an appropriate method based on confidentiality and relevance to job responsibilities.
- Annual staff training meetings and new employee orientation, with relevant handouts and manuals, will be used to reinforce memo, email, intranet, and restricted communications.

Procedures for policy 3

- Management should develop policies and procedures for communicating with external parties.
- Management should follow the guidelines as provided by the Office of Open Records Counsel for the redacting of information when requested under the open records statutes.

4.5 MONITORING

Overview

The internal control system changes as technology, staff, objectives and policies change. Management is charged with continually monitoring the internal control system to determine if it is operating as it was designed to do and to insure the controls are being followed.

Objectives

1. To practice activities to monitor the internal control system and evaluate the results.
2. To address deficiencies noted in the internal control system in a timely manner.

Policies

1. To ensure that internal controls do not deteriorate and continue to work as designed over time, an annual risk assessment will be conducted by municipal management.
2. To establish more efficient and effective operations over time.
3. To ensure accurate and reliable financial information is used in decision-making.

Procedures

Procedures for policies 1 and 2

- Evaluate and document the current state of the internal control system and document the differences between the criteria of the design and the current condition of internal control, for purposes of establishing a baseline.
- Determine whether to change the design of internal control or implement corrective actions to improve the operating effectiveness of internal control for differences that exist.
- Monitor internal control through built in monitoring activities and periodic separate evaluations and document the results.
- Evaluate differences to determine if 1) changes in internal control have occurred but have not been documented, 2) internal control has not been properly implemented, or 3) internal control design changes are needed.

Procedures for policy 3

- A member of management will review cash drawers and deposits randomly to ensure policies are being followed, such as no cashing of personal checks, no borrowing from cash drawer and the makeup of cash vs checks is being documented.
- All accounts with financial institutions (checking, savings, investment, etc.) will be reconciled to the general ledger within 20 days of receipt of any statement from the financial institution.
- The above reconciliation will include a listing of outstanding checks.
- Reconciling items on the above reconciliation will not be carried for more than 60 days.
- Reports comparing actual to budget amounts for revenues and expenditures (expenses) will be generated monthly and reviewed by those in a position of authority over financial operations.



Investment Policy

Purpose

The purpose of this policy is to establish guidelines for the lawful and prudent investment of Town funds. This policy is intended to protect public resources, provide sufficient liquidity for operations, and achieve a reasonable return within accepted risk parameters.

Policy

The Town shall invest funds in accordance with applicable law and sound public finance principles. Investment decisions shall be made with consideration given to:

1. legal limitations,
2. safety of principal,
3. liquidity needs,
4. risk, and
5. yield.

The Town shall invest only in instruments authorized by Tennessee law and consistent with the Town's risk tolerance. This policy shall identify:

- authorized investment types,
- the officials or employees authorized to make investment decisions,
- the funds eligible for investment, and
- the procedures for purchasing, monitoring, and documenting investments.

Available funds not required for immediate cash flow needs may be invested in accordance with this policy and the Town's cash management needs. Conservative investment options, including certificates of deposit and the State's Local Government Investment Pool, shall also be governed by this policy.

The Finance Director shall oversee implementation of this policy and ensure that all investments are properly authorized, documented, monitored, and reported.

ORDINANCE	25-04
PREPARED BY	Myers
1 ST READING	February 13, 2025
2 ND READING	February 27, 2025
PUBLISHED IN	Farragut Press
DATE	

AN ORDINANCE OF THE TOWN OF FARRAGUT, TENNESSEE AMENDING CHAPTER 2 – ADMINISTRATION, ARTICLE 6 – FINANCE, SECTION 2-299 OF THE MUNICIPAL CODE TO REPLACE IN THE EXISTING SECTION IN ITS ENTIRETY WITH A NEW ORDINANCE

WHEREAS, the Town of Farragut is subject to the provisions of the “Municipal Purchasing Law of 1983,” and

WHEREAS, the law permits municipalities to increase the dollar amount of purchases requiring public advertisement and competitive bidding, and,

NOW, THEREFORE, BE IT ORDAINED by the Board of Mayor and Aldermen of the Town of Farragut, Tennessee that:

SECTION 1. Amending Chapter 2 – Administration, Article 6 – Finance, Section 2-299 – Authorization of purchases, is amended by deleting it in its entirety and substituting in lieu thereof the following:

Section 2-299. Authorization of purchase

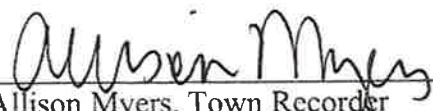
Public advertisement and competitive bidding shall be required for the purchase of all goods and services exceeding an amount of \$25,000 dollars except for those purchases specifically exempted from advertisement and bidding by the Municipal Purchasing Act of 1983.

Three written quotations are required whenever possible for purchases costing less than the \$25,000 bid threshold adopted for competitive bidding and public advertisement, but more than 40% of the threshold amount.

SECTION 2. This ordinance shall take effect upon publication after its final passage in a newspaper of general circulation, the public welfare requiring it.



Ron Williams, Mayor



Allison Myers, Town Recorder

TOWN OF FARRAGUT
Purchasing Policy
Approved March 10, 2011
Resolution 2011-03

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INTRODUCTION

This manual has been prepared to provide information and direction to the various departments of the Town. Its primary purpose is to communicate policies and give guidance to purchasing personnel.

The manual will be revised and supplemented, as required, to meet new need and conditions. Revised pages will be dispensed to all holders who are responsible for keeping the manual current. An important part of this updating process depends on the constructive comments, information, and suggestions received from you, the users. Your comments are encouraged.

DEFINITIONS

- Policies:** Policies, as referred to in this manual, are pre-decisions made by administration for the purpose of giving information and direction. Policies establish basic philosophies and climate and determine the major values upon which the Town must operate.
- Procedures:** Procedures are the prescribed means of accomplishing policy. Their intent is to provide Town personnel with the guidelines and, where appropriate, the specific action sequences to ensure uniformity, compliance, and control of all policy-related activities.

If there are any questions, please contact the Town Recorder or Accounts Payable Clerk. Requests for additional copies should be addressed to the same office.

ADMINISTRATION DEPARTMENT'S RESPONSIBILITIES

- Develop written operating policies, procedures and standards for the procurement of goods and services.
- Comply with appropriate State and Federal laws on procurement.
- To achieve maximum integration with other departments of the Town.
- To aid and cooperate with all departments in meeting their needs for operating supplies, equipment, and services.
- To process all requisitions with the least possible delay.
- To know the sources and availability of needed products and services and maintain current vendor files.
- To process and maintain order and requisition files.
- To assist in preparation of specifications.
- To prepare and advertise requests for bids and maintain bid files.
- To keep items in sufficient quantities to meet normal requirements of the town for a reasonable length of time within space availability.
- To transfer or dispose of surplus property.

USING DEPARTMENT'S RESPONSIBILITIES

- To allow ample lead time for the Accounts Payable Clerk to process the requisition.
- To prepare a complete and accurate description of materials to be purchased.

- To plan purchases in order to eliminate avoidable emergencies.
- To initiate specification preparation on items to be bid.
- To obtain prices on comparable materials.
- To inspect merchandise upon receipt, and complete a receiving report noting any discrepancies in types, numbers, condition, or quality of goods.
- To advise the Accounts Payable Clerk of defective merchandise or dissatisfaction with vendor performance.
- To advise the Town Recorder of surplus property.

GLOSSARY

For purpose of this manual, the following terms, phrases, words, and their derivations shall have the meanings given here in:

Authorized Personnel: Those persons approved to perform designated functions.

Bid: A price offer by an intended seller or an intended buyer.

Bid Advertisement: A public notice placed in a newspaper of general circulation containing information about an Invitation for Formal Bid (IFB) or Request for Proposal (RFP)

Bidders List: A list of vendors who have signified in writing an interest in submitting bids for particular categories of goods and services.

Bid Opening: The act of publicly opening the bid envelopes and making the bids available for public inspection.

Capital Expenditure: An expenditure that results in the acquisition of, or an addition to a fixed asset.

Change Order: The written order to a contract authorizing an addition, deletion or revision in the work, price or contract time, issued after the execution of the purchase or contract.

Contract or Agreement: A formal written agreement executed by the Town and a Vendor containing the essential terms and conditions under which goods or services are to be furnished to the Town.

Contractor: Any person or business having a contract with the Town.

Department: An organizational unit within the Town government that is responsible to the Town Administrator, or designee.

Emergency Purchase: The purchase of supplies and/or services whose immediate procurement is essential to prevent delays which may vitally affect the life, health, safety, or convenience of citizens or serious loss or injury to the Town.

Employee: An individual employed by the Town and compensated with wages.

Fixed Assets: Individual tangible items, either original or replacement that have useful life expectancy beyond one year and a cost of \$1,000.00 or more.

Goods: Includes property to be purchased by the Town, including equipment, supplies, materials, and component or repair parts.

Invitation to Bid (IFB): Formal bidding documents issued by the Town, accompanied by a bid advertisement requesting pricing from vendors for specified goods or services.

Lease: A contract for the use of real estate or personal property for a term in return for a specified rent or other compensation.

Lowest Responsible Bid: The lowest bid or offer meeting all requirements of the specifications, terms, and conditions of the invitation for bid. It is expressly understood that the lowest responsible bid includes any related costs to the Town in a total cost concept. The term "responsible" refers to the financial and practical ability of the bidder to perform the contract.

May: Denotes the permissive.

Municipal Officer: Municipal officer is a person who holds or occupies a municipal office. The holding of a municipal office is in accordance with the mandates provided by any statute or a charter. A municipal officer occupying the office is required to take an oath and is obliged to exercise sovereign authority in carrying out public duties.

Board of Mayor and Aldermen: The legislative and governing body of the Town.

Performance Bond: A bond provided in connection with a contract that guarantees the performance and fulfillment of all the terms, conditions, and agreements contained in the contract.

Policies: Policies, as referred to in this manual, are pre-decisions made by administration for the purpose of giving information and direction. Policies establish basic philosophies and climate and determine the major values upon which the Purchasing Policies and Procedures Manual functions must operate.

Procedures: Procedures are the prescribed means of accomplishing policy. Their intent is to provide company personnel with the guidelines and, where appropriate, the specific action sequences to ensure uniformity, compliance, and control of all policy-related activities.

Procurement: Purchasing, renting, leasing or otherwise acquiring any supplies, services or construction.

Purchasing Agent: The director of the Town's purchasing program.

Purchase Requisition: A request generated by a user department which authorizes a contract to be entered into with a vendor to purchase goods or services for the Town and to charge the appropriate user department budget or project. This is for internal use and cannot be utilized by the user department to order materials directly from a supplier.

Purchasing: The act, function, and responsibility for the acquisition of goods and services.

Responsible Bidder: A person or business that has the capability in all respects to perform fully the contract requirements, and has integrity and reliability that will assure good faith performance.

Responsive Bidder: A person or business that has submitted a bid that conforms in all material respects to the bid solicitation.

Sealed Bid: An offer submitted in a closed envelope to be opened at a specific time and place.

Shall: Denotes the imperative.

Services: Includes all work or labor performed for the Town on an independent contractor basis, including maintenance, construction, manual, clerical or professional services.

Sole Source: That only one supplier of an item or service exists.

Specification: A statement containing a detailed description or enumeration of particulars, as to the terms of a contract, detailed description of the physical or functional characteristics of goods or services.

Statutes: These are laws passed by Congress or a state legislature and signed by the President of the United States or the Governor of a State, respectively, that are codified in volumes called "Codes" according to subject matter.

Surplus Property: Town owned property that is no longer required or has no practical use by the Town.

Town: The Town of Farragut, Tennessee.

Town Administrator: The chief administrative officer of the Town, appointed by the Board of Mayor and Aldermen.

User Department: The organizational unit within the Town that utilizes supplies, services or construction.

Vendor: Any individual or Business conducting business or seeking to do business with the Town.

ANTI-TRUST LAWS

I. PURPOSE

To provide guidance to employees engaged in the purchasing function concerning the antitrust laws.

II. SCOPE

This policy applies to all Town personnel involved in the procurement process.

III. ANTITRUST

This policy of the Town is to comply with the letter and spirit of all laws applicable to the Town's business and interest.

Violation of the antitrust laws in any area of the Town's operations may have far-reaching effects, causing substantial injury to the company in lengthy and expensive litigation, damage liability, and injunctions. An employee who participates in a violation is individually and personally subject to fine or imprisonment.

The Town's compliance with these laws depends on the employees occupying positions of responsibility, especially in a procurement capacity.

It is, therefore, the policy to comply strictly in all respects with the antitrust laws. There shall be no exception to this policy, nor shall it be compromised or qualified by anyone acting for or on behalf of the Town.

Each employee is obligated in his/her area of responsibility to adhere to the above policy. The Town's purchasing personnel is not expected to have the knowledge of a lawyer, but are expected to be guided by the Town's past practices and policies and by his or her own common sense. When he or she is faced with a new problem with unknown legal implications, he or she is expected to refer to their immediate supervisor who will consult the Town's legal counsel for advice and handling.

LAWS

There are laws, mostly federal statutes that have as their main objectives the preservation of competition.

The Sherman Antitrust Act

Congress passed the Sherman Antitrust Act in 1890. It prohibits contracts and conspiracies in restraint of trade, conspiracies to monopolize trade, and attempts to monopolize. The United States Department of Justice, the states' attorney general and private parties may sue to enforce it. The act makes illegal price fixing, bid rigging, territorial market allocation and some types of tying arrangements and boycotts.

The Clayton Antitrust Act

Congress enacted the Clayton Antitrust Act in 1914. It prohibits price discrimination and also precludes tying arrangements, certain mergers and interlocking directorates between

competing companies, and certain exclusive deals and refusals to deal where their effect is to substantially lessen competition or to monopolize interstate commerce.

The Federal Trade Commission Act

The Federal Trade Commission Act, which Congress passed in 1914, prohibits unfair competition. It created the Federal Trade Commission, which prosecutes through administrative action conduct that restrains trade but may not rise to the level of a violation of antitrust law.

BIDS, QUOTATIONS, PROPOSALS POLICY

I. PURPOSE

To give a brief description of the three most used forms of procurement by the Town.

II. SCOPE

This applies to specific forms of procurement.

III. GENERAL

The purpose of obtaining bids, quotations, or proposals is to obtain the quality of materials and/or services consistent with the Town's needs, in a timely manner, and at the best value.

The process will involve communications between the using department, Town Administrator, Town Recorder, Accounts Payable Clerk, vendors and consultants.

Potential vendors will be given an opportunity to provide bids, quotations, or proposals and will be treated fairly in the process of doing so.

IV. TYPES OF SOLICITATIONS

Competitive Formal Bid or Invitation for Bid:

An Invitation for Bid is the solicitation of competitive, written, sealed bids, based on specifications of the required equipment, material, and/or service. These are sometimes called "Competitive Formal Bids" because bids are submitted to the Town Recorder or designee where they are held until there is a public opening of the bids, and because bids are reported to the Town of Farragut Board of Mayor and Aldermen for award at a Board meeting.

This method of solicitation is used when the cost of the goods, materials, and/or services will be \$10,000 or greater.

Written Quotation:

A Written Quotation is the solicitation of three written offers and/or pricing based on specifications of the required equipment, material, and/or general services. These are sometimes called "informal bids" because there is usually not a public opening, and the award is generally not made by the Town Board of Mayor and Aldermen.

This method of solicitation is used when the cost of the goods, materials, and/or services will be between \$4,000 and \$9,999.99.

Verbal Quotations:

Sometimes referred to as "phone quotes", these are verbal requests for pricing. This type of price solicitation is usually used for readily available parts, supplies, and/or general services of a nontechnical nature for which no written record of the quotation is deemed necessary.

This method of solicitation is used when the cost of the goods, materials, and/or services will be between \$3999.99 and \$1,000.

Request for Proposals (RFP):

This is the solicitation of proposals to furnish equipment or services. Proposals are requested based on general requirements and/or guidelines and those persons or companies submitting proposals may offer the equipment or services they have determined to be best suited to the general requirements stated in the RFP. Proposals will usually differ in the details of what is offered by those submitting proposals; the details and/or pricing of proposals are usually subject to negotiation.

An RFP may also be used for the purchase of equipment that is designed and built for a specific project, or if more than one type of equipment will suit the intended purpose and “results” along with “performance” is the emphasis of the specification.

Proposals may also be used for general services when the companies who are expected to respond will offer different levels of service or have a range of qualifications that are to be considered in addition to price.

Request for Qualifications (RFQ)

This method is usually used to procure professional services when it has been determined by the Town Administrator that the use of competitive sealed bidding is not practicable or not advantageous to the Town. (Note: If the proposed consultant has previously performed related work on the system for which services are being contracted, and contracting with another professional would cause additional expense to the Town in order for the consultant to become familiar with the system, and exception may be requested.)

The basis for selection is qualifications of the prospective professional not price bidding.

CONFLICT OF INTEREST POLICY

I. PURPOSE

To provide guidance to employees & elected officials engaged in any aspect of the purchasing function concerning the avoidance of conflict of interest.

II. SCOPE

This policy applies to all who participate in any phase of the purchasing process.

III. GENERAL

Disclosure of personal interest by official with vote.

An official with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and so it appears in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's vote on the measure. In addition, the official may recuse himself from voting on the measure.

Disclosure of personal interest in non-voting matters. An official or employee who must exercise discretion relative to any matter, other than casting a vote, and who has a personal interest in the matter that affects or that would lead a reasonable person to infer that it affects the exercise of the discretion shall disclose, before the exercise of the discretion when possible, the interest on a form provided by and filed with the recorder. In addition, the official or employee may, to the extent allowed by law, charter, ordinance, or policy, recuse himself from the exercise of discretion in the matter.

EMERGENCY PURCHASES POLICY

I. PURPOSE

To establish guidelines for emergency purchases.

II. SCOPE

This policy applies to all Town departments involved in the procurement process.

III. GENERAL

Emergency purchases require authorization by the Town Administrator.

Emergency Defined:

An emergency is a situation that occurs suddenly and unexpectedly and demands immediate action to prevent delays which may vitally affect the life, safety, or health of the public or Town employee, or the continuation of services to the citizen, or serious loss or injury to the Town.

The Town Administrator shall inform the Board of Mayor and Aldermen within 24 hours of the incident or event.

Failure to exercise reasonable planning or anticipation of routine needs is not justification for using emergency procedures.

GAS CARD POLICY

- I. **PURPOSE**
To establish guidelines for fuel purchases with a Town issued gas card.
- II. **SCOPE**
This policy applies to all employees who purchase fuel for Town vehicles.
- III. **GENERAL**
Assigned company fuel credit cards are to be used for gas only and for the assigned vehicle only, unless otherwise authorized. Employees are to use the self service fuel island and to use regular unleaded gas only, unless otherwise specified. Fuel receipts must contain the following information: the correct date, gallons, price per gallon, total price, and **mileage** at the time the vehicle is refueled.

PURCHASING CYCLE

I. PURPOSE

To illustrate the cycle a purchase must follow in order to maintain the proper flow of purchases.

II. SCOPE

The purchasing of a product or service requires a starting point and an ending point, or cycle, as indicated by the following steps.

III. GENERAL

The purchasing Cycle is the series of activities that must be undertaken to assure that Town departments receive the goods and services needed to operate their programs in the most timely and economical manner.

The Cycle consists of the following:

Requesting Department:

1. Recognition of need for goods and services
2. Preparation of description (specification) of needed goods and services;
3. Determination of proper procurement method (quotes, competitive sealed bid, request for proposal, etc.);
4. Preparation of requisition;
5. Preparation of solicitation document;
6. Receipt of quotes, bids or proposals;
7. Review of quotes and bids for lowest responsive and responsible bidder or selection of proposal that is most advantageous to the Town;

Accounts Payable Clerk & Town Recorder:

8. Issuance of contract number, approved by the authorized personnel;
9. Receipt of goods and/or services;
10. Payment to vendor.

REQUISITION POLICY

I. PURPOSE

The purpose of a Requisition is to communicate the need of the using department and to correctly define the material or service requested to the Accounts Payables Clerk. A requisition is required for all purchases. Information presented on and attached to the requisition provides the basis for the purchase, requested verbal and written quotes, Invitations to Bid or Requests of Proposals sent to bidders or offers or supplying the needed goods or services. An accurate and well-thought-out requisition is essential for assuring the completion of an economical and timely purchasing transaction.

II. SCOPE

This policy applies to all procurements.

III. POLICY

Before preparing a requisition, the using department should invest a sufficient amount of time in planning to be certain the requisition is prepared properly. If a department has a critical, complex or expensive requirement, taking the time at the front end will save time later. **It is also important to coordinate with the Accounts Payable Clerk in advance for requirements that are critical and time sensitive.**

IV. REQUISITION DO'S AND DON'TS

A. DO

- Write in ink and legibly
- Provide as much information as possible.
- Provide a description of functional, performance or technical characteristics, as appropriate.
- When the purchase requires quotes or bids, provide a list of no less than three vendors with the capability to meet the requirements of the purchase.

B. DON'T

- Assume the Vendors are familiar with all your needs.
- Divide the requirements to fall under the competitive threshold.
- Copy specifications verbatim from a Vendor's publication.
- Assume competitive requirements will be waived.
- Assume the same Vendor will win the order all the time.

SOLE SOURCE PURCHASES POLICY

I. PURPOSE

To provide guidance to employees engaged in the purchasing function concerning sole source procurements.

II. SCOPE

This policy applies to all Town personnel involved in the procurement process.

III. GENERAL

Tennessee Code Annotated §6-54-304 (2) allows for a limited exemption from competitive quoting or bidding for the purchase of item(s) where the functional requirements of the Town can be satisfied by only one source.

This exemption for the purchase of goods or services from competitive procurement will be allowed once it has been determined by the Town Administrator that the goods or services to be purchased are impossible or impractical to procure through competitive procurement.

Because of the requirement for justification of such exemptions, all requests for Sole Source purchases must be supported by the Sole Source Justification Form and approved by the Town Administrator. Refer to "Sole Source Purchases Procedure" for detailed instructions.

SALE AND DISPOSAL OF SURPLUS PROPERTY POLICY

I. PURPOSE

To establish a procedure for the sale of surplus property.

II. SCOPE

This procedure is to be used by the Town Administrator, Town Recorder and Department Heads.

III. GENERAL

When a department head decides there is excess equipment or material in the department, they shall notify the Town Recorder in writing. The Town Recorder will determine if the value is greater than \$100. Said property shall be disposed of by public auction or sealed bids at the discretion of the Town Administrator. Items with an estimated value of more than \$100 shall be advertised for bidding, after the Town Recorder has received approval from the governing body. Such equipment or materials will be sold to the highest bidder. The Town of Farragut may transfer surplus equipment or material from one department to another.

All town employees shall be permitted to bid on any surplus town property.

**ORGANIZATION AND RESPONSIBILITY
DEPARTMENT PURCHASING RESPONSIBILITIES**

I. PURPOSE

It is mandatory in all departments that the employee responsible for buying goods and services have a thorough understanding of the policies and procedures contained in this manual.

Their primary responsibility is to provide for the purchase of materials, supplies and services with the objective that they will be available at the time, place, quantity and price consistent with the need of the Town.

To achieve this overall objective, the responsibilities, authorities, and controls set forth in this policy and related policies, must be adhered to by all employees.

II. SCOPE

This policy applies to all Town employees having any purchasing responsibilities.

III. RESPONSIBILITIES

1. Departments will conduct business in accordance with the Town Purchasing Policies and Procedures Manual.
2. To allow lead-time for a purchase through a competitive process, allowing the supplier time to deliver the needed items.
3. To suggest sources of supply.
4. To plan purchases in order to eliminate avoidable emergencies.
5. To supply generic and general specifications on items to be bid.
6. To inspect merchandise upon receipt, and complete a receiving report noting any discrepancies.
7. To advise the Accounts Payable Clerk of defective merchandise or dissatisfaction with vendor performance.
8. To advise the Town Recorder of surplus property.

PROCUREMENT AWARD AUTHORITY

I. PURPOSE

To establish the hierarchy of authority and responsibility upon which all of the policy and policy bulletins in this manual are based.

II. SCOPE

This policy applies to all employees.

III. PROCUREMENT AWARD AUTHORITY

Amounts \$10,000 or More

Except as otherwise provided, all contracts equal to or exceeding ten thousand dollars (\$10,000.00) for the procurement of supplies, services, equipment and construction shall be awarded only after authorization of the award has been given by the Board of Mayor and Aldermen. A contract number will be issued and referenced on all documentation from the vendor.

Amounts \$4,000 to #9,999.99

Except as otherwise provided, all contracts equal to nine hundred ninety-nine dollars and ninety-nine cents (\$9,999.99) and equal to or exceeding four thousand dollars (\$4,000.00) for the procurement of supplies, services, equipment and construction shall be awarded only after authorization of the award has been given by the Department Head or Town Recorder and the Town Administrator. A contract number will be issued and referenced on all documentation from the vendor.

Amounts \$3,999.00 or Less

Except as otherwise provided, all contracts equal to or less than three thousand nine hundred ninety-nine dollars and ninety-nine cents (3,999.99) for the procurement of supplies, services, equipment and construction shall be awarded only after authorization of award have been given by a Department Head or the Town Recorder.

For additional information regarding signature authority for procurement purposes, see the "Signature Authority" section.

PURCHASING ORGANIZATION CHART

I. PURPOSE

To establish the hierarchy of responsibility upon which all of the policy and procedures in this manual are based.

II. SCOPE

This policy applies to all employees.

III. RESPONSIBILITY

The Town Recorder is responsible for the maintenance of this manual.

IV. ORGANIZATION

The purchasing organization chart below shows the positions referred to in the manual.

Town Administrator
Department Head
Town Recorder
Accounts Payables Clerk

SIGNATURE AUTHORITY

I. PURPOSE

To establish the signature authority for all Town of Farragut Purchase Requisitions.

II. SCOPE

This policy applies to all purchase requisitions.

III. POLICY:

It shall be the policy of the Town of Farragut that the following positions shall have the signing authority to bind the Town of Farragut contractually by way of purchase requisition within the following designated dollar limits.

PURCHASES BETWEEN \$0 TO \$1,000

One signature required by:

- Department Head or Town Recorder

PURCHASES BETWEEN \$1,000 TO \$3,999

Two signatures required by:

- Town Recorder &
- Department Head

PURCHASES BETWEEN \$4,000 TO \$9,999

Two signatures required by:

- Town Administrator &
- Department Head or Town Recorder

PURCHASE BETWEEN \$10,000 OR MORE

Two signatures required by:

- Town Administrator &
- Department Head or Town Recorder

And approved by the Board of Mayor and Aldermen

In the absence of the Town Administrator the Associate Town Administrator may sign.

PROCEDURES

EMERGENCY PURCHASES PROCEDURE

I. PURPOSE

To provide detailed instructions for performing an emergency purchase.

II. SCOPE

This procedure applies to all purchases recognized as an emergency as defined in the "Emergency Purchases Policy."

III. GENERAL

OBTAINING EMERGENCY AUTHORIZATION DURING NORMAL PURCHASING OFFICE HOURS

When an emergency is identified, contact the Town Administrator immediately and advise:

1. The nature of the emergency.
2. The estimated cost of the services/good required; and,
3. The vendor who will receive the order.

Even though competition is not required, it is the department's responsibility to attempt to obtain the goods or services required at competitive prices.

A written explanation of the emergency should be prepared using the Emergency Purchase Explanation Form. Suppliers shall furnish sales tickets, delivery slips, invoices, etc., for the supplies or services rendered. Terms of the transactions, indicating price and other data, shall be shown. Attach all information to the form and forward the entire package to the Accounts Payable Clerk. No invoice will be paid unless the Accounts Payable Clerk has received an acceptable Emergency Purchase Explanation form.

A sample form for duplicating is located in the Sample Forms Appendix.

OBTAINING EMERGENCY AUTHORIZATION OUTSIDE NORMAL PURCHASING OFFICE HOURS

When an emergency need is identified outside the normal office hours, and immediate action is required to correct a threat to the safety, health or welfare of the public, the ordering department has the authority to procure the goods or services necessary to correct the problem with approval from the Department Head or Town Administrator.

Process in the same manner as above.

ONLY THE QUANTITY OF GOODS OR SERVICES NECESSARY TO ALLEVIATE THE EMERGENCY MAY BE PURCHASED UNDER THE PO NUMBER

REQUISITION – PREPARATION PROCEDURE

I. PURPOSE

To provide detailed instructions for completing a purchase requisition.

II. SCOPE

This procedure applies to all purchase requisitions.

III. GENERAL

The following are detailed procedures to be followed when implementing a request for purchase of materials, supplies, services, etc.

The purchase requisition is designed to contain all of the necessary information and signatures relevant to the processing of the procurement. The completion of the purchase requisition by the requisitioner serves to create the first step in completing a contractual commitment between the supplier and the Town.

A sample form for duplicating is located within this manual in Sample Forms Appendix.

IV. REQUISITIONER INSTRUCTIONS FOR COMPLETING A REQUISITION

Note: The following procedures are for all general purchases below the formal bid threshold.

- A. Date: - The date requisition is prepared.
- B. Requisitioner - Signature of the person initiating the purchase request.
- C. Date Needed – Avoid the use of the term ASAP (as soon as possible), “AT ONCE”, and “RUSH”. Always estimate or project a specific preferred date the material or items is to be delivered. This consideration will assist the Buyer to determine priorities regarding delivery requirements. Always allocate as much lead-time as practical by determining your needs as far as possible in advance. This allows adequate time to receive competitive bids and to purchase in the best and most efficient manner for the Town.

Prepare far enough in advance to avoid emergencies.

- D. Department – The complete name of the using department.
- E. Deliver To – Specific location to which shipment is to be delivered.
- F. Quantity – Specific quantity to be purchased and delivered.
- G. Description - Specific description of items ordered includes model numbers, part numbers, amps, voltage, hp, brand, size, catalog references, color, dimensions, etc. Try not to generalize unless absolutely necessary!

If the purchase is of a technical nature, specifications should be attached to the requisition.

- H. Unit Price - Price that has been agreed upon between requisitioner and supplier for the item to be purchased.

- I. Estimated Total Price – Multiply the Unit (F.) by the Estimated Unit Price (H.) and enter the total in the appropriate line within the Estimated Total Price column.
- J. Account Number – Enter the appropriate budgetary account number.
- K. Ship via – Means for which the items will be transported to its destination such as vendor truck, customer pick-up, common freight carrier, UPS, etc.
- L. Estimated Freight Cost – Freight charges that have been quoted by the supplier to the requisitioner.
- M. Estimated Total Cost – Enter the total estimated cost by adding each Estimated Total Price(s) (I.) to the Estimated Freight Cost (L.) for all items requisitioned.
- N. Recommended Vendor(s) – The requisitioner suggested or known source or supplier. A supplier address, telephone number, and contact are required. **Try to provide at least three potential sources.**
- O. Justification for Purchase – Requisitioner to enter reason for the purchase of the described items.
- P. Approved By – Signature of individual authorized to approve expenditure of funds.
- Q. Date – The date-authorized individual signed the requisition.

Distribution as follows:

Purchase under \$10,000: The original signed requisition, with receipts attached, will be forwarded to the Accounts Payable Clerk for processing.

Purchase over \$10,000: The original signed requisition will be attached to the formal bid documents.

A requisition for formal bids shall contain only these categories listed above: A, B, D, E, F, J, O, P And Q. For item “G” the department will attach specifications to the requisition and forward it to the Accounts Payable Clerk.

SOLE SOURCE PURCHASE PROCEDURE

I. PURPOSE

To provide detailed instructions for requesting sole source purchase authorization.

II. SCOPE

This procedure applies to all purchases recognized as a sole source purchase as defined in the Sole Source Purchases Policy.

III. GENERAL

All requests for Sole Source Purchases must be supported by the Sole Source Justification Form and approved by the Town Administrator. A sample form for duplicating is located within this manual in Sample Forms Appendix.

Submission of the form is mandatory on the first request for purchase of material or services from a sole source. Departments are encouraged to request advance sole source authorizations by processing the Sole Source Justification Form with supporting documentation prior to beginning the purchasing process. Advance authorizations can save considerable time and should be used whenever possible.

IV. THE SOLE SOURCE JUSTIFICATION FORM

To expedite processing of sole source requests, the Sole Source Justification Form must be completed properly.

1. The explanation must be complete and accurate.
2. The Department Head must sign the form.
3. To establish a vendor as a sole source, users must provide with the Sole Source Justification form a statement from the manufacturer (NOT THE DISTRIBUTOR) of the product identifying the requested sole source as the only source available to the Town of Farragut, Tennessee for the goods or services.

SPECIFICATION PREPARATIONS PROCEDURE

I. PURPOSE

To define what form and information is needed from the department submitting specifications to the Accounts Payable Clerk for formal solicitation.

II. SCOPE

This procedure applies to all Town departments' specifications for formal solicitations.

III. GENERAL

A specification is a description of the material or services to be purchased. Thorough and careful preparation of the specification probably is the most important part of the bidding process.

Because the level of quality specified impacts directly the price, the Accounts Payable Clerk must be furnished with specifications that will fulfill but not exceed the requirements for which the materials, equipment or services are intended. When developing specifications it is necessary to follow the general policy of purchasing goods, standard grades of merchandise that represent an optimum relationship between quality and price, always consistent with providing a satisfactory level of service.

All purchases of the Town must be based upon adequate specifications. A lengthy specification designed solely to eliminate competition is contrary to public purchasing laws and regulations and must be avoided. Specifications must have enough detail to afford a basis for full and fair competitive bidding based on a common standard and must be free from restrictions that would tend to reduce or eliminate competition.

The term, "specification," is used interchangeably with the terms, "purchase description," "purchase specification," "purchase requirement," "commercial item description," "scope of work," and "statement of work." A specification may include requirements for samples, prototypes, inspection, testing, warranty and packaging.

IV. TYPES OF SPECIFICATIONS

There are several types of specifications. The development, selection and use of a particular type is dependent on the situation, time, information available and needs of the using department.

Performance Specifications:

This type describes the function and use of the product or exactly what the department wants to accomplish as an end result. This usually is considered as the most versatile type of specification. The supplier can apply the latest technologies and techniques to achieve the performance desired by the Town. Care must be taken so that when preparing this type of specification to solve a given problem, the product received does not cause other, unexpected problems. For example, requesting a method for eliminating ice on streets could result in the purchase of a chemical that effectively and efficiently melts ice but destroys asphalt in the process. Performance specifications must be reviewed carefully by the department to be certain that the vendor can readily understand the essential nature of the problem to be solved.

Performance specifications are preferred since they communicate what a product is to do, rather than how it is to be built. Among the ingredients of a performance specification would be the following:

- A general nomenclature or description;
- Required performance characteristics (minimum/maximum) to include speed, storage capacity, production capacity, usage, ability to perform a specific function;
- Operational requirements, such as limitations on environment, water or air cooling, electrical requirements;
- Site preparation requirements for which the contractor will be responsible, such as electricity, plumbing, or for maintaining a current equipment or system until switching to the new equipment or system;
- Installation requirements;
- Delivery requirements;
- Maintenance requirements;
- Supplies and parts requirements;
- Warranty; and
- Service location and response time.

Design or Technical Specifications

This type of specification describes the construction of the item in detail. Although this may appear to be the best type of specification to use, the ordering department must have a complete understanding of the final product and its use before using it. Use of technical or design specifications may eliminate the vendor from liability as to the performance of the item after the purchase is made because someone other than the vendor has specified the performance. Because of this responsibility factor, technical or design specifications are among the most difficult to prepare.

Design and technical specifications are normally prepared by architects and engineers for construction or custom manufactured products. Among the ingredients of a design specification would be the following:

- Dimensions, tolerances and specific manufacturing or construction processes;
- References to a manufacturer's brand name or model number; and
- Use of drawings and other detailed instructions to describe the product.

Brand Specifications

A brand name may be used if it represents the quality desired and its use is intended to be illustrative. When a specification mentions a manufacturer's brand name or model number, it shall also include the words, "or equal." In this regard, "or equal" is interpreted to mean, "Substantially equal and capable of performing the essential functions of the referenced brand name or model." Identify any specific features of the referenced brand that must be met.

The term "or equal" used frequently in specifications does not mean that the product will be evaluated as to whether it is exactly equal to the product named in the specification. "Or equal," or the more preferable term, "or equivalent," means that an alternate product will be evaluated to determine if it produces the same result as the brand specified. You should always be aware that the product proposed by a vendor might be substantially different from the specified product and that, if it produces the same results, it must be considered on an equal basis with the specified product. To avoid being faced with a

limited choice such as this, it is important to add to the specification any mandatory physical characteristics of the product specified (such as general size, horsepower, weight, etc.) that must be met by the alternate bid to be accepted as “equivalent.” Although the purchaser reserves the right to be the final judge about the acceptability of an “equivalent” item, the justification can be extremely difficult to prepare unless any mandatory physical characteristics of the item desired are included in the specification. Try to avoid listing only a brand name or model number in the specification.

Scope of Work for Services

The following is an outline of the types of information that should be included in a scope of work for procurement of professional or other services:

1. General Requirements: Describe the contractor’s responsibility to provide a service or produce a specific study, design or report for the using department.
2. Specific Requirements: Address the specific tasks, sub-task, parameters and limitations that must be considered in producing the service or final project. Such factors as the following should be included:
 - Details of work environment;
 - Minimum or desired qualifications;
 - Amount of service needed;
 - Location of service;
 - Definition of service unit;
 - Time limitations;
 - Travel regulations or restrictions;
 - Special equipment required; and
 - Other factors affecting working environment.
3. Town Provided Materials or Services: List any plans, reports, statistics, space, personnel, or other Town provided items that must be used by the contractor.
4. Deliverables, Reports and Delivery Dates: Identify the specific delivery dates for all documentation or products the contractor must furnish. Be clear about the expectations of the Town for the contractor’s performance.

V. SPECIFICATION “DO’S” AND “DON’TS”

A. DO’S

- Use the word “shall,” to describe a command or mandatory requirement;
- Use the words, “should” or “may,” to describe an advisory or optional requirement;
- Be specific and detailed in presenting mandatory requirements; and
- State a requirement of fact once and avoid duplication.

B. DON’TS

- Present something as mandatory when it is really only optional;
- Write specification or scope of work that restricts response to a single bidder/offeror; and
- Place bid/proposal administrative or contractual terms in the specification portion of the document.

VI. PREPARATION AND REVIEW OF SPECIFICATIONS

Departments are responsible for the product specifications. All specifications should be submitted to the Accounts Payable Clerk in Word format. After the clerk has reviewed the specifications and attached its standard terms and conditions, the Department will be forwarded a draft for final review. This draft will require a signature for approval by the Department Head and returned to the Accounts Payable Clerk for continuation through the solicitation process.

SALE AND DISPOSAL OF SURPLUS PROPERTY PROCEDURE

I. PURPOSE

To provide instruction for the disposal of surplus property

II. SCOPE

This procedure applies to the disposal of surplus property.

III. GENERAL

Disposal of Surplus Property

The Town Administrator shall be in charge of the disposal of surplus property and make a full report to the Board of Mayor and Aldermen after the items are disposed of. When a department head determines there is surplus equipment or materials within the department, he/she shall notify the Town Recorder in writing of any such equipment. The Town Administrator may transfer surplus equipment or materials from one department to another.

Surplus Property: Items Consumed in the Course of Work thought to be Worthless.

Town property which may be consumed in the course of normal Town business and items thought to be worthless shall be disposed of in a like manner as any other refuse.

Items Estimated to Have Monetary Value.

When disposing of surplus property estimated to have monetary value, the Town Administrator and Town Recorder, in conjunction with the Department Head, shall comply with the following procedures:

- a. Obtain from the Board of Mayor and Aldermen a resolution declaring said items to be surplus property.
- b. A notification of surplus property shall be posted on the website and at Town Hall. If the sale of surplus property is requested by sealed bidding the notification shall be advertised in a newspaper of general circulation.
- c. Such equipment or materials shall be sold to the highest bidder. In the event the highest bidder is unable to pay within forty-eight (48) hours, the item shall be awarded to the second highest bidder.
- d. All pertinent information concerning the sale shall be noted in the fixed asset records of the Town.
- e. The advertisement, bids, and property cards shall be retained for a minimum period of five (5) years.

Surplus Property: Town Identification Removed Prior to Sale

No surplus Town property shall be sold unless and until all decals, emblems, lettering, or coloring which identifies the item as belonging to the Town of Farragut have been removed or repainted.

WRITTEN QUOTATIONS PROCEDURE

IV. PURPOSE

To provide detailed instruction for soliciting and completing a written quotation (Request for Quotation) for goods and/or services.

V. SCOPE

This procedure applies to purchases less than \$10,000 but greater than \$4,000.

VI. GENERAL

Purchases between \$4,000 and \$10,000 require competitive pricing. This may be accomplished by written quotations (Request for Quotation) solicited by fax from no less than three firms with written confirmation from each vendor. Written confirmation and evidence of acceptable insurance coverage also must be obtained for construction/repair-related purchases.

VII. WRITTEN QUOTATION FORM

1) Steps In Preparing Form Before Solicitation

A sample Request for Quotation form for duplicating can be found within this manual in the Sample Forms Appendix. The following required instructions need to be properly completed.

The following information is required before faxing a Request for Quotation form to a vendor for solicitation for goods and/or services.

- A. NUMBER – Quotation number used by the department for tracking and identification purposes.
- B. DATE – The date of the Request for Quotation solicitation.
- C. DELIVERY REQUIRED – A specific date should be entered informing the vendor of the required delivery of the goods and/or services.
- D. REPLY NO LATER THAN – A time and date shall be entered within this area notifying each prospective vendor that the quotation must be returned by this time and on this specific date. The recommended time range for this type of solicitation is usually three (3) to five (5) business days.
- E. REQUISITION NO. – The department will enter the requisition number as it appears on the authorized Town Purchase Requisition.
- F. DEPARTMENT – Enter the name of the department soliciting the quote.
- G. JOB NO. – Enter the job number of the project for which quote will pertain to. This area is optional depending on the department workflow tracking system.
- H. VENDOR – All information regarding the vendor should be entered in this area. At least three (3) vendors should be listed. Include the following as a minimum for vendor information: Firm Name, Phone Number, Fax Number and Contact Person for which fax should be delivered to.
- I. TERMS – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet. A sample Fax Instruction Cover Sheet for duplicating can be found within this manual in Sample Forms Appendix.

- J. SHIPMENT VIA – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- K. DATE SHIPMENT CAN BE MADE – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- L. ITEM – Enter a number for each item described. This allows specific identification during vendor clarification and/or questions via phone or fax. It also assists in identifying the proper item when evaluating the vendor’s response (quote).
- M. QUANTITY – The department will identify their needs as to the quantity required for each described item.
- N. SPECIFICATION or SCOPE OF SERVICES - A complete description should be entered in this area for each required item. The description should describe the goods and/or services to the best of the department’s ability.

If the quote is being solicited for services to be performed (including construction services) a detailed scope of services must be written and it must accompany the quotation form.
- O. UNIT PRICE – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- P. AMOUNT – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- Q. COMPANY NAME – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- R. CONTACT PERSON – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- S. PHONE NO. – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.
- T. SIGNATURE – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet. The quote cannot be accepted unless an authorized agent of the company signs the Request for Quotation form
- U. DATE – Vendor shall complete this area as directed within the Fax Instruction Cover Sheet.

2) Instruction for Soliciting Quotes

The most cost effective way to solicit a written quote is by fax communication. The alternative is the U.S. Mail. The department may fax the Request for Quotation form to the three prospective vendors along with the Fax Instruction Cover Sheet containing quoting instructions and the standard terms and condition pages. A sample of the Town’s

Standard Terms and Conditions for duplicating can be found within this manual in Sample Forms Appendix.

In the case of a solicitation for services to be performed (including construction services) an approved contract by the Town Attorney must accompany the solicitation package. A contract can be obtained from the Town recorder.

Note; On-site meetings and conversations with potential quotes will not take the place of the aforementioned solicitation requirements.

The complete Request for Quotation package will consist of the following items faxed to the prospective vendor.

- 1) Fax Instruction Cover Sheet
- 2) Standard Town of Farragut Terms and Conditions
- 3) Request for Quotation form
- 4) Approved Contract (If Required)

3) Evaluating The Returned Quote Forms

The department will gather all submitted quotes and enter the correct quote information within the designated area provided on the Request for Quotation form for the ease of evaluation. The following areas should be completed within the Summary of Quotations for an accurate evaluation.

1. Record the item number that refers to the correct item quoted.
2. Enter the amount quoted for each item that corresponds to the specific vendor.
3. Enter the shipping amount quoted for the entire quote that corresponds to the specific vendor.
4. Verify the accuracy of the offered lump sum total from each returned Request for Quotation form and enter it in the area for each corresponding vendor.
5. Enter the payment term for each vendor if they insist on other terms than preferred by the Town (NET 30 Days).
6. Enter the anticipated ship date as indicated on the specific vendor's Request for Quotation form.

VIII. LEGAL RESPONSIBILITY

When obtaining written quotations from vendors, you are subject to the same legal constraints that apply to all Town bids. You cannot reveal one vendor's price to another vendor until the terms have been accepted by the awarded vendor. No price revisions are allowed to be made by a vendor once the initial written quotation has been received from that vendor.

IX. PRICES RECEIVED ARE LESS THAN \$1,000

If the price obtained (lump sum total price that include shipping and handling costs) at any stage in the written quotation process is less than \$1,000 and the price is acceptable and considered competitive, you need not solicit additional prices.

X. IS A “NO BID” OR “NO QUOTE” RESPONSE CONSIDERED AS A “QUOTATION”

A “NO BID” or “NO QUOTE” is not considered a vendor quotation unless approved by the Town Administrator. Three qualifying quotes containing a lump sum total amount is required unless special circumstances prevent the department from receiving the three required quotes.



Town of Farragut

Surplus Property Sale and Disposal Policy and Procedures

Per Tennessee Code Annotated (T.C.A) §6-54-125, Town officials or employees are prohibited from purchasing any property declared to be surplus by the Town of Farragut, except at bid at public auction, during the tenure of such person's office or employment, or for six (6) months thereafter. Any Town official or employee who violates this statute is committing a Class A misdemeanor and subject to penalty.

Any Town Official or employee of the Town of Farragut found to have sold or offered for sale any Town owned property in violation of the Town of Farragut Surplus Property Sale and Disposal Policy shall be subject to disciplinary action and if applicable, criminal prosecution.

Town officials and employees are responsible for furnishing to the Finance Director, a nominated listing of all surplus property, real or personal in nature. All nominated Surplus property shall be declared by and submitted to the Board of Mayor and Aldermen for approval. This listing must contain a complete description, general condition, quantity, estimated value and should include any Town information attached thereto (i.e. Town Capital Asset Tag Number). It will be determined by the Finance Director, with the help of the Town Department Heads the value of the surplus property. A listing of surplus property shall be maintained in the office of the Finance Director until the property is disposed of. The Finance Director is responsible for the coordination of the sale, disposal, or transfer between departments, of all such listed surplus items. Transactions of a sale or disposal of Town property must be kept for a minimum of 5 years.

Surplus Property Procedures for items with Accumulative Estimated Value of \$2,000.00 or Less.

All surplus property with an accumulative value of \$2,000.00 or less at the Finance Director's discretion, can be disposed of, sold on the open market, or gifted to a nonprofit or charitable organization properly incorporated under the laws of the State of Tennessee and in which no part of the net earnings of the organization inures or may lawfully inure to the benefit of a private shareholder or individual and it provides services benefiting the general welfare of the residents of the Town.

Surplus Property Procedures for items with Accumulative Estimated Value of more than \$2,000.00 or have Capital Asset Numbers.

All surplus property with an accumulative estimated value of more than \$2,000.00 or any capital asset item, must be declared surplus and sold by public auction, web auction, or by sealed bid sale. All proceeds will be returned to the Town General Fund except as is not allowed by law.

All property with an accumulative estimated value of more than \$2,000.00 or any capital asset item, which has become surplus, obsolete or unusable shall be sold by public auction, as defined in T.C.A §47-2-328 and 62-19-101, or by sealed bid, or web auction at the discretion of the Finance Director or responsible official.

Surplus property to be sold must be done by public auction, web auction, or by sealed bid sale. The Public auction shall be conducted only by licensed auctioneers and may be held at least once annually, or as necessary, for disposal of any or all listed surplus property. The Finance Director shall give public

notice of such an auction by advertisement in a newspaper and/ or by posting on a public bulletin board in Town Hall, and/or publishing it on the Town website at least five (5) days prior to the date of the auction or sealed bid sale. This notice shall specify the auction or bid sale opening date, time, place, property to be sold and the terms of such auction. T.C.A. §5-14-108

Surplus Property Interdepartmental Transfers

A department may submit a written request to the Finance Director when they desire to have another department's declared surplus asset transferred to their department. The Board of Mayor and Aldermen must approve the transfer when the value of the property is in excess of one thousand dollars (\$2,000.00). The Finance Director or Town Administrator at their discretion may authorize transfer of items less than one thousand dollars (\$2,000.00) in value. A transfer of a motor vehicle cannot be justified without first declaring another motor vehicle as surplus property.

Surplus Property purchased through Grants.

Sale or disposal of surplus property acquired through grant funding will be based on the laws and regulations of the original grant. Retention of sale and disposal records of grant funded surplus property will be based on the laws and regulations of the original grant.



**SURPLUS PROPERTY NOMINATION FORM
TOWN OF FARRAGUT, TENNESSEE**

*****Please fill out completely and attach any documentation and pictures*****

DEPARTMENT: _____

The following items are hereby nominated for designation as surplus county property:

Item/Description: _____

Current Location: _____

Serial Number: _____

County Tag Asset Number: _____

Age: _____

Purchase price: _____

Estimated Current Value: _____

Is the Item to be used as a trade-in (yes or no)? _____

Reasons for making the nomination OR disposal:

****Equipment going to the IT Department will need a help desk ticket created****

Signature of Department Head

____/____/____
Date

Finance Director Use Only	
Fill out all that is applicable	
Item Capital Asset Number:	Sale Price:
Disposed, Donated, or Sold:	Date of Sale, Donation or Disposal:
Auctioneer or To Whom was the item Donated to:	
Traded to Department:	

** Please Issue a copy to the Town Recorder upon approval**

