109 3rd Ave S
Franklin, TN 37064
(615)791-3217

City of Franklin

Meeting Agenda

Budget & Finance Committee

Thursday, June 14, 2018 | **2:00 PM** | **Board Room**

Call To Order

1. 18-0588 Approval of Minutes from May 10, 2018 Committee Meeting

2. 18-0581 Consideration Of Resolution No. 2018-26, A Resolution To Amend City Of Franklin Human Resources Manual To Revise Requirements And Definitions Pertaining To Payroll (05/10/18 Finance, 6/14/18 Finance 3-0).

Sponsors: Eric Stuckey, Kristine Brock, Kevin Townsel and Mike Lowe

Attachments: RESOLUTION 2018-26 Amend HR manual_payroll.Law Approved
PRESENTATION HR Manual for Payroll - 2018

3. 18-0580 Consideration Of Resolution No. 2018-51, A Resolution To Amend City Of Franklin Travel And Expense Policy To Update Travel Requirements And Definitions (05/10/18 Finance, 6/14/18 Finance 3-0).

Sponsors: Eric Stuckey, Kristine Brock and Mike Lowe

Attachments: RES 2018-51 Travel and Expense Policy.Law Approved 2.pdf
PRESENTATION Travel Policy Update-2018

4. 18-0579 Consideration Of Resolution No. 2018-39, A Resolution To Amend City Of Franklin Disbursements Policy To Update Requirements And Definitions (05/10/18 Finance, 6/14/18 Finance 3-0).

Sponsors: Eric Stuckey, Kristine Brock and Mike Lowe

Attachments: Resolution 2018-39 Amend COF Disbursement Policy.Law Approved
PRESENTATION Disbursements Policy Update-2018

5. 18-0560 Consideration Of Resolution No. 2018-24, A Resolution Adopting A Revised Purchasing Policy For City Of Franklin Procurements Not Pertaining To New Construction (6/14/18 Finance 3-0).

Sponsors: Brian Wilcox

Attachments: Res. No. 2018-24 for Purchasing Policy with Exhibit A.Law Approved
Exhibit A to Res. No. 2018-24 for Purchasing Policy 2018.05.23 redlined

6. 18-0582 Consideration of Resolution No. 2018-52, A Resolution To Amend City Of Franklin Internal Control Documentation (6/14/18 Finance 3-0).

Sponsors: Eric Stuckey, Kristine Brock, Brian Wilcox, Lawrence Sullivan and Mike Lowe

Attachments: 2018-52 RES Internal Control Documentation.Law Approved 2.pdf
PRESENTATION Internal Control Documentation Update-2018

7. 18-0585 Financial Report - 3rd Quarter FY 2018

Sponsors: Mike Lowe

Attachments: City of Franklin - 3rd Quarter Report 2018

8. 18-0586 Monthly Reports for June 2018

Sponsors: Eric Stuckey, Kristine Brock and Mike Lowe

Attachments: Monthly Reports-June 2018

Other Business

Adjournment

ANYONE REQUESTING ACCOMMODATIONS DUE TO DISABILITIES SHOULD CONTACT A.D.A. COORDINATOR, AT 791-3277 AT LEAST 10 DAYS PRIOR TO THE MEETING, IF POSSIBLE.

RESOLUTION 2018-26

TO BE ENTITLED: "A RESOLUTION TO AMEND CITY OF FRANKLIN HUMAN RESOURCES MANUAL TO REVISE PAYROLL REQUIREMENTS AND DEFINITIONS"

WHEREAS, the City of Franklin implemented the Kronos time and attendance system: and

WHEREAS, the implementation established payroll requirements and definitions; and

WHEREAS, the Human Resources Manual, which includes payroll policies, needs to reflect these payroll requirements and definitions; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the citizens of the City of Franklin to make this change.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF FRANKLIN, TENNESSEE, AS FOLLOWS:

<u>SECTION 1.</u> UPDATE PAYROLL CORRECTIONS REQUIREMENT

Under Article XI-Compensation Plan, Section F. Payroll Processing:

The current language, which reads as follows, shall be deleted in its entirety:

> Any required corrections identified after the payroll has been processed will be made on the next biweekly payroll.

The following language shall be inserted:

> Corrections identified after the payroll has been signed off on be made no later than the next biweekly payroll. An exception may be granted by the City Administrator.

<u>SECTION 2.</u> UPDATE DIRECT DEPOSIT REQUIREMENT

Under Article XI-Compensation Plan, Section G. Direct Deposit Processing:

The current language, which reads as follows, shall be deleted in its entirety:

> Direct Deposit is mandatory for employees hired after 1/1/2002.

The following language shall be inserted:

> Direct Deposit is mandatory for employees. Direct deposit remittances are available electronically. Primary payroll account is used for employee reimbursements.

<u>SECTION 3.</u> UPDATE 28-DAY OVERTIME CALCULATION FOR FIRE SHIFT PERSONNEL TO SPECIFY 212 HOURS

Under Article XI-Compensation Plan, Section H. Overtime and Compensatory Time

> For shift personnel of the Fire Department, overtime, whether paid or recognized with compensatory time, shall be computed on the basis of one and one-half times the regular rate of pay for the hours worked in excess of 216/240 hours per twenty-eight (28) day period depending on which designated tour in the rotation they are working. The forty

(40) or 216/240 hours, as the case may be, must be actual hours worked and shall not include sick and vacation leave. Paid holidays shall be counted as actual hours worked.

The following language shall be inserted

For shift personnel of the Fire Department, overtime, whether paid or recognized with compensatory time, shall be computed on the basis of one and one-half times the regular rate of pay for the hours worked in excess of 212 hours per twenty-eight (28) day period depending on which designated tour in the rotation they are working. The forty (40) or 212 hours, as the case may be, must be actual hours worked and shall not include sick and vacation leave. Paid holidays shall be counted as actual hours worked.

SECTION 4. REMOVE 14-DAY OVERTIME CALCULATION FOR POLICE SWORN OFFICERS

Under Article XI-Compensation Plan, Section H. Overtime and Compensatory Time:

The current language, which reads as follows, shall be deleted in its entirety:

For Section 207(k) employees engaged in law enforcement with a work period of 14 days, overtime for the excess hours is based on all hours over 86 declared in the fourteen day work period as defined by the FLSA under TAB 611. A notation in the payroll records shall be made that shows the work period for each employee (29 C.F.R. – 553.50). The rule computing a Section 207(k) employee's regular rate are the same as those applied to all other nonexempt employees. When calculating overtime for sworn officers, the City shall not use the 40 hour workweek standard but rather the 14 day work period and overtime pay shall be calculated for hours worked in excess of 86 hours during the work period.

SECTION 5. SPECIFY USE OF TIME AND ATTENDANCE SYSTEM IN LIEU OF FORMS

Under Article XI-Compensation Plan, Section H. Overtime and Compensatory Time:

The current language, which reads as follows, shall be deleted in its entirety:

All employees, whether exempt or non-exempt, are required to report hours worked on the appropriate forms and forward to the Department Director or designee for approval.

The following language shall be inserted:

Non-exempt employees are required to report hours worked and leave taken in the time and attendance system. Exempt employees are required to report leave taken in the system. Employees are responsible for approving their time and attendance each week. Managers are responsible for reviewing and/or approving. Approvals are to follow the approved payroll schedule.

SECTION 6. INCLUDE HOLIDAY BONUS, SUBJECT TO APPROPRIATION

Under Article XI-Compensation Plan, Section J. Holiday Pay:

The following language shall be inserted at the end of the section:

If appropriated, employees may receive a holiday bonus near the calendar year- end holidays. The amount and eligible groups are determined during the budget process.

SECTION 7. **INCLUDE PAID HOLIDAY AND PERSONAL DAY HOURS TO WORK HOURS TO DETERMINE ALLOWABLE WORK PERIOD FOR RETIRED EMPLOYEES**

Under Article XVI-Non-Disciplinary Transfers, Demotions, Separations, and Reinstatements, Section D. Reinstatements:

The current language, which reads as follows, shall be deleted in its entirety:

> During any twelve-month period ("re-hire period"), the retired employee shall not work more than one hundred twenty (120) days or the equivalent of one hundred twenty (120) days as determined by the City to its payroll practices.

The following language shall be inserted:

> During any twelve-month period ("re-hire period"), the retired employee shall not work (includes hours worked, paid holiday hours, and personal day hours) more than one hundred twenty (120) days or the equivalent of one hundred twenty (120) days as determined by the City to its payroll practices.

SECTION 8. **INCLUDE ACTIVE PART-TIME EMPLOYEE ELIGIBILITY FOR ONE (1) PERSONAL DAY**

Under Article XVIII-Leaves and Absences, Section A. Holidays (Note: Personal days are included in the holidays section since created in place of the Presidents Day holiday per Resolution 2014-69):

The following language shall be inserted at the end of the personal day language:

> Active part-time employees will be given one (1) Personal Day.

SECTION 9. **REMOVE REFERENCES TO 37.5 HOUR AND 84 HOUR BIWEEKLY EMPLOYEES UNDER VACATION LEAVE**

Under Article XVIII-Leaves and Absences, Section B. Vacation Leave:

The current vacation leave accrual chart, which shows as follows, shall be deleted in its entirety:

Years of Service	Vacation Hours per Month (37.5 hour employee	Vacation Hours Accrued per Month (40 hour employee	Vacation Hours Accrued per Month (84 Hour biweekly employees)	Vacation Hours Accrued per Month (Uniformed Fire Employees)
0-5 years	6.25	6.6667	7.00	10.00
6-11 years	9.375	10.00	10.50	15.00
12-17 years	11.25	12.00	12.60	18.00
18+ years	15.00	16.00	16.80	24.00

The following vacation leave accrual chart shall be inserted:

Years of Service	Vacation Hours Accrued per Month (40 hour employee	Vacation Hours Accrued per Month (Uniformed Fire Employees)
0-5 years	6.67	10.00
6-11 years	10.00	15.00
12-17 years	12.00	18.00
18+ years	16.00	24.00

Also, the current language, which reads as follows, shall be deleted in its entirety:

> Vacation will be computed on the number of standard work hours in a week. For vacation leave purposes, the term "workday" as it applies in this section shall be computed on a seven and one-half (7.50) hour basis for 37.50 hour per week employees, an eight (8) hour basis for 40 hour per week employees, twelve (12) hours for uniformed Fire employees on a 28 day cycle, and 8.4 hour basis (84 hours on a 14 day cycle) for sworn police employees.

The following language shall be inserted:

> Vacation will be computed on the number of standard work hours in a week. For vacation leave purposes, the term "workday" as it applies in this section shall be computed on an eight (8) hour basis for 40 hours per week employees and twelve (12) hours for uniformed Fire employees on a 28 day cycle.

<u>SECTION 10.</u> REMOVE REFERENCES TO 2,184 HOURS, 1,950 HOURS, AND 1,560 HOURS UNDER SICK LEAVE ACCRUAL. ALSO, CHANGE UNIFORMED FIRE EMPLOYEES HOURS FROM 2,912 TO 2,808.

Under Article XVIII-Leaves and Absences, Section C. Sick Leave:

The current sick leave accrual chart, which shows as follows, shall be deleted in its entirety:

Hours Scheduled to Work per Year	Sick Leave Accrued for Each Completed Month of Service	Annual Accrual Rate
2,080	8 hours	96 hours per year
2,184	8.4 hours	100.8 hours per year
1,950	7.5 hours	90 hours per year
1,560	6 hours	72 hours per year
2,912	12 hours	144 hours per year

Law Dept. approved 06.19.18

The following sick leave accrual chart, which shows as follows, shall be inserted:

Hours Scheduled to Work per Year	Sick Leave Accrued for Each Completed Month of Service	Annual Accrual Rate
2,080	8 hours	96 hours per year
2,808	12 hours	144 hours per year

<u>SECTION 11.</u> **REMOVE REFERENCE TO 37.5 HOUR EMPLOYEES UNDER HOURS OF WORK**

Under Article XXII-General Policies and Procedures, Section P. Hours of Work, Attendance, and Inclement Weather:

The current language, which reads as follows, shall be deleted in its entirety:

> Non-exempt employees hired before March 1, 1999, on a 37.5 hour workweek will remain on 37.5 hours/week until promoted, reclassified, or reassigned.

<u>SECTION 12.</u> **SPECIFY SHIFT PAY REQUIREMENTS**

Under Article XXII-General Policies and Procedures, Section P. Hours of Work, Attendance, and Inclement Weather:

The following language shall be inserted at the end of the Hours of Work paragraph:

> Employees who work morning shifts that begin at 5am or earlier or afternoon/evening shifts that begin at 2pm or later are eligible for shift pay. Whereas shift pay is typically in departments with a 2nd or 3rd shift, other hourly employees are eligible if begin work at the times listed above.

It is therefore RESOLVED this the ____ day of _____________________, 2018.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE:**
By: ________________________	**By:** ________________________
Eric S. Stuckey	**Dr. Ken Moore**
City Administrator	**Mayor**

Approved as to form:

____
Shauna R. Billingsley, City Attorney

Law Dept. approved 06.19.18

HR MANUAL

PROPOSED PAYROLL UPDATES - 2018

WHY UPDATE PROPOSED?

Payroll policies are currently located in HR Manual.

Update payroll policies to reflect current practice.

1. UPDATE PAYROLL CORRECTIONS REQUIREMENT

(ARTICLE XI: COMPENSATION PLAN, SECTION F: PAYROLL PROCESSING)

Corrections identified after the payroll has been signed off on be made no later than the next biweekly payroll. An exception may be granted by the City Administrator.

. UPDATE DIRECT DEPOSIT REQUIREMENT

(ARTICLE XI: COMPENSATION PLAN, SECTION G: DIRECT DEPOSIT PROCESSING)

Direct Deposit is mandatory for employees. Direct deposit remittances are available electronically. Primary payroll account is used for employee reimbursements.

3. UPDATE 28-DAY OVERTIME CALCULATION FOR FIRE SHIFT PERSONNEL TO SPECIFY 212 HOURS

(ARTICLE XI: COMPENSATION PLAN, SECTION G: OVERTIME AND COMPENSATORY TIME)

For shift personnel of the Fire Department, overtime, whether paid or recognized with compensatory time, shall be computed on the basis of one and one-half times the regular rate of pay for the hours worked in excess of 212 hours per twenty-eight (28) day period depending on which designated tour in the rotation they are working. The forty (40) or 212 hours, as the case may be, must be actual hours worked and shall not include sick and vacation leave. Paid holidays shall be counted as actual hours worked.

4. REMOVE 14-DAY OVERTIME CALCULATION FOR POLICE SWORN OFFICERS

(ARTICLE XI: COMPENSATION PLAN, SECTION G: OVERTIME AND COMPENSATORY TIME)

~~For Section 207(k) employees engaged in law enforcement with a work period of 14 ays, overtime for the excess hours is based on all hours over 86 declared in the ourteen day work period as defined by the FLSA under TAB 611. A notation in the ayroll records shall be made that shows the work period for each employee (29 C.F.R. – 553.50). The rule computing a Section 207(k) employee's regular rate are the ame as those applied to all other nonexempt employees. When calculating overtime or sworn officers, the City shall not use the 40 hour workweek standard but rather he 14 day work period and overtime pay shall be calculated for hours worked in xcess of 86 hours during the work period.~~

5. SPECIFY USE OF TIME AND ATTENDANCE SYSTEM IN LIEU OF FORMS

(ARTICLE XI: COMPENSATION PLAN, SECTION G: OVERTIME AND COMPENSATORY TIME)

Non-exempt employees are required to report hours worked and leave taken in the time and attendance system. Exempt employees are required to report leave taken in the system. Employees are responsible for approving their time and attendance each week. Managers are responsible for reviewing and/or approving. Approvals are to follow the approved payroll schedule.

6. INCLUDE HOLIDAY BONUS, SUBJECT TO APPROPRIATION

(ARTICLE XI: COMPENSATION PLAN, SECTION J: HOLIDAY PAY)

If appropriated, employees may receive a holiday bonus near the calendar year- end holidays. The amount and eligible groups are determined during the budget process.

7. INCLUDE PAID HOLIDAY AND PERSONAL DAY HOURS TO WORK HOURS TO DETERMINE ALLOWABLE WORK PERIOD FOR RETIRED EMPLOYEES

(ARTICLE XVI: NON-DISCIPLINARY TRANSFERS, DEMOTIONS, SEPARATIONS, AND REINSTATEMENTS
SECTION D: REINSTATEMENTS)

During any twelve-month period ("re-hire period"), the retired employee shall not work (includes hours worked, paid holiday hours, and personal day hours) more than one hundred twenty (120) days or the equivalent of one hundred twenty (120) days as determined by the City to its payroll practices.

3. INCLUDE ACTIVE PART-TIME EMPLOYEE ELIGIBILITY FOR ONE (1) PERSONAL DAYS

(ARTICLE XVIII: LEAVES AND ABSENCES SECTION A: HOLIDAYS)

Active part-time employees will be given one (1) Personal Day.

0. REMOVE REFERENCES TO 37.5 HOUR AND 84 HOUR BIWEEKLY EMPLOYEES UNDER VACATION LEAVE

(ARTICLE XVIII: LEAVES AND ABSENCES SECTION A: VACATION LEAVE)

Years of Service	Vacation Hours Accrued per Month (40 hour employee	Vacation Hours Accrued per Month (Uniformed Fire Employees)
0-5 years	6.67	10.00
6-11 years	10.00	15.00
12-17 years	12.00	18.00
18+ years	16.00	24.00

10. REMOVE REFERENCES TO 2,184 HOURS, 1,950 HOURS, AND 1,560 HOURS UNDER SICK LEAVE ACCRUAL. ALSO, CHANGE UNIFORMED FIRE EMPLOYEES HOURS FROM 2,912 TO 2,808.

(ARTICLE XVIII: LEAVES AND ABSENCES SECTION A: VACATION LEAVE)

Hours Scheduled to Work per Year	Sick Leave Accrued for Each Completed Month of Service	Annual Accrual Rate
2,080	8 hours	96 hours per year
2,808	12 hours	144 hours per year

11. REMOVE REFERENCE TO 37.5 HOUR EMPLOYEES UNDER HOURS OF WORK

(ARTICLE XXII: GENERAL POLICIES AND PROCEDURES SECTION P: HOURS OF WORK, ATTENDANCE, AND INCLEMENT WEATHER)

~~Non-exempt employees hired before March 1, 1999, on a 37.5 hour workweek will remain on 37.5 hours/week until promoted, reclassified, or reassigned.~~

12. SPECIFY SHIFT PAY REQUIREMENTS

(ARTICLE XXII: GENERAL POLICIES AND PROCEDURES SECTION P: HOURS OF WORK, ATTENDANCE, AND INCLEMENT WEATHER)

Employees who work morning shifts that begin at 5am or earlier or afternoon/evening shifts that begin at 2pm or later are eligible for shift pay. Whereas shift pay is typically in departments with a 2nd or 3rd shift, other hourly employees are eligible if begin work at the times listed above.

RESOLUTION 2018-51

TO BE ENTITLED: "A RESOLUTION TO AMEND CITY OF FRANKLIN TRAVEL AND EXPENSE POLICY TO UPDATE TRAVEL REQUIREMENTS AND DEFINITIONS"

WHEREAS, the City of Franklin implemented a Travel and Expense Policy and Procedures on April 12, 2005; and

WHEREAS, the policy established travel and expense requirements and definitions; and

WHEREAS, the Finance Department is proposing updates to reflect travel and expense best practices; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the citizens of the City of Franklin to make this change.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF FRANKLIN, TENNESSEE, that the current Travel and Expense Policy and Procedures approved on April 12, 2005, should be replaced by Exhibit A attached as recommended by staff.

IT IS SO RESOLVED AND DONE on this _____ day of _______________________, 201___.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE:**
By: _________________________	**By: _________________________**
Eric S. Stuckey	**Dr. Ken Moore**
City Administrator	**Mayor**

Approved as to form:

____
Shauna R. Billingsley, City Attorney

Exhibit A

Table of Contents

1. **PURPOSE**

The purpose of this policy is to ensure compliance with Tennessee Code Annotated § 6-54-901-907. This law requires Tennessee municipalities to adopt travel and expense regulations covering expenses incurred by "any mayor and any member of the local governing body and any member board or committee member elected or appointed by the mayor or local governing body, and any official or employee of the municipality whose salary is set by charter or general law."

To provide consistent travel regulations and to assure fair and equitable treatment, this policy is expanded to cover all employees and individuals traveling on City business at City expense.

2. **ENFORCEMENT**

The City Administrator or designee shall be responsible for the enforcement of these regulations. Any person attempting to defraud the City or misuse City travel funds is subject to legal action for recovery of fraudulent travel claims.

3. **AUTHORIZED TRAVELER**

In the interpretation and application of this policy, the term "traveler" or "authorized traveler" means any elected or appointed municipal officer or employee, including members of municipal boards and committees appointed by the Mayor or the municipal governing body, the employees of such boards and committees and all other municipal employees who are traveling on official municipal business and whose travel was authorized in accordance with this policy. Unless otherwise specified, this policy applies to vendors for travel or business expenses eligible for reimbursement by the City.

"Authorized traveler" shall not include the spouse, children, other relatives, friends, or companions accompanying the authorized traveler on authorized business, unless the person(s) otherwise qualifies as an authorized traveler under this policy.

4. **TRAVEL AND EXPENSES**

Discounts. The authorized traveler should be conservative in expenditures and request the government rate and/or take advantage of other discounts, special rates or tax exemptions to which the City may be entitled whenever feasible.

Payments. Authorized travelers are encouraged to use their Purchasing Card whenever possible for paying for eligible expenses, including but not limited to conference registration, lodging, meals, and gasoline purchases.

The municipality may pay directly to a provider by accounts payable for expenses such as meals, lodging, and registration fees for conferences, conventions, seminars, and other education programs.

Authorized travelers may be reimbursed for eligible expenses incurred while traveling on official business for the City. Eligible expenses shall include expenses for transportation; lodging; meals, registration fees for conferences, conventions, and seminars; and other actual and necessary expenses related to official business as determined by the City Administrator or designee.

The City does not provide travel advances. (Eligible travel expenses not paid directly by accounts payable or purchasing card will be reimbursed.)

Travel Period. The traveler will be required to take annual leave for any additional time taken beyond the day before and the day after the conference, convention, seminar, or meeting dates.

When the traveler extends the trip with personal time to take advantage of discount fares, eligible expenses will be limited to the lesser of:

a. the actual expenses incurred, including meals and lodging; or
b. the amount that would have been incurred for non-discounted fares using the least expensive rates available.

5. DOCUMENTATION

Travel Authorization. Prior to the travel, all costs associated with the travel should be reasonably estimated. The authorized traveler shall indicate that the proposed travel is approved in the present budget. Departments may use the Travel Authorization Form to document the authorization.

Travel authorizations of $2,500 or over are approved by the City Administrator or an Assistant City Administrator. Those under $2,500 may be approved by the department head or designee.

Travel Reimbursement. To qualify for reimbursement, travel expenses must be directly related to the conduct of the City business for which the travel was authorized and reasonable, and necessary under the circumstances. The City Administrator may make exceptions for unusual circumstances.

It is the responsibility of the authorized traveler to complete the reimbursement form, sign, and obtain approval with the necessary supporting documents and original receipts.

Reimbursement requests, including those for mileage, should be received by Finance within 30 days of the end of the travel or expense period. Reimbursement requests received after 60 days of the end of the travel or expense period are not eligible for reimbursement.

Travel expenses chargeable to a federal award require documentation to substantiate that the travel is necessary to the federal award.

Travel Receipts. Expenses must be supported by the original paid receipts unless otherwise exempted in this policy. If an invoice or receipt is missing, substitute documentation is needed for the expense. If the expense is under $25, the substitute documentation detailing the expense may be provided in lieu of the missing invoice or receipt. If $25 or more, the substitute documentation needs to include evidence of the vendor being unable to provide a replacement invoice or receipt.

6. REGISTRATIONS

Registration fees for approved conferences, conventions, seminars, meetings, and other educational programs are eligible expenses.

7. TRANSPORTATION

Air Travel. All potential costs should be considered when selecting the modes of transportation. For example, airline travel may be cheaper than automobile when time away for work and increased meal and lodging costs are considered.

When time is important, or when the trip is so long that other modes of transportation are not cost-beneficial, air travel is encouraged.

The city will pay for tourist or economy class air travel on the lowest cost air carrier based in Nashville going to the traveler's destination, or the city closest to the destination.

Mileage credits for frequent flyer programs accrue to the individual traveler. However, the City will not reimburse for additional expenses - such as circuitous routing, extended stays, layovers to schedule a carrier, upgrading from economy to first class–seating, for travelers to accumulate additional mileage or for other personal reasons.

City Vehicle. The City may require the employee to drive a City vehicle. The employee is required to have a valid driver's license in their name to operate a city vehicle. The traveler is responsible for seeing that the vehicle is used properly and only for acceptable business. Eligible expenses are those directly related to the actual and normal use when proper documentation is provided.

Out-of-town repair costs must be cleared with the department head or the City Administrator before the repair is authorized.

Automobile transportation may be used when a common carrier cannot be scheduled, when it is more economical, when a common carrier is not practical, or when expenses can be reduced by two or more City employees traveling together.

Rental Vehicle. Use of a rental car is not permitted unless it is less expensive or otherwise more practical than public transportation. Approval of car rental is generally required in advance. The traveler must always request the government or weekend rate, whichever is cheaper. The employee driving the rental vehicle must have a valid driver's license in their name. Anyone who uses a rental car for out-of-state travel must obtain liability and collision coverage from the vendor. The City will reimburse the traveler for this insurance coverage on rental cars.

In nearly all cases, an intermediate size automobile is the most appropriate vehicle to rent.

A rental vehicle is not eligible for mileage reimbursement.

Train, Bus, Taxi, Shuttle, and Other Transportation Fares. The City will pay for the actual cost of tickets if the train or bus ticket does not exceed the lowest reasonable available airfare and associated airfare travel costs. This type of travel cannot extend the time a traveler would be away from the work place.

When an individual travel by common carrier, reasonable fares will be allowed for necessary ground transportation. Bus or shuttle service to and from airports should be used when available and practical. The traveler will be reimbursed for parking fees and mileage for travel to and from the local airport.

Reasonable transportation fares between lodging quarters and meetings, conferences, or meals are eligible expenses.

Personal Vehicle. Use of a private vehicle for travel must be approved in advance. The City will pay a mileage rate not to exceed the rate established by the Internal Revenue Service standard rate as of the date of travel. In no event will mileage reimbursement exceed the lowest reasonable available airfare and associated airfare travel costs.

Unless from home, the miles for reimbursement shall be paid from the origin to destination and back by the most direct route. Necessary vicinity-travel related to official City business will be reimbursed using the Rand McNally mileage calculator. Mileage requests beyond this calculation must be documented as necessary and business related.

Mileage on trips from home to a temporary work location must exceed employee’s normal commute to be reimbursable. (Normal commute miles will be deducted from the mileage to or back home from the temporary work location.)

Travelers will not be reimbursed for automotive repair or breakdowns when using their personal vehicle.

If a privately-owned automobile is used by two or more travelers on the same trip, only the traveler who owns or has custody of the automobile will be reimbursed for mileage. It is the responsibility of the traveler to provide adequate insurance to hold harmless the City for any liability from the use of the private vehicle.

Local transportation should normally be by city vehicle. Local mileage will be paid in cases where a city vehicle is not available.

8. LODGING

Authorized travelers shall be reimbursed for actual, reasonable and necessary expenses incurred for lodging in a publicly licensed lodging facility during official business travel requiring an overnight stay. The traveler shall request conference, government or weekend rates, whichever is cheaper when making lodging reservations. Authorized travelers sharing lodging shall report on a pro rata basis.

Travelers may stay at conference hotel(s) at conference / training / event rate, including a comparable rate hotel if conference / training / event hotels are filled.

9. MEALS

Travel meals comprise meals when there is an overnight stay. (An overnight stay is typically for travel beyond the Middle Tennessee region of the state.)

Meals provided when there is not an overnight stay may be eligible business meals.

The City of Franklin will pay reasonable and customary amount for meal expenses. This is subject to a maximum amount depending on the location of the travel. Meal amounts per day are not to exceed the federal per diem meals breakdown for the continental U.S. (CONUS) developed by the United States General Services Administration. On the first and last day of travel, the maximum is 75% of the CONUS per diem meals breakdown. The daily rate for meals would also be reduced for any meal provided at a conference / training / event (using the rate for that meal).

Should an authorized traveler pay for the total cost of a meal shared with other authorized travelers, the total will be reimbursed to the paying traveler if the other travelers are identified on the original receipt.

10. OTHER ELIGIBLE EXPENSES

Baggage Handling. An allowance of $4 for hotel/motel check-in and baggage handling will be reimbursable without documentation or original receipts on days of check-in and check-out only.

Gratuities at Restaurants. Reasonable gratuities at full-service restaurants are eligible travel expenses. The gratuity needs to not exceed 20%.

Phone Calls. The traveler may be reimbursed for up to $5 per day for personal phone calls to his or her residence and/or family while on official travel. The traveler should check before making a long-distance call to be certain of the charge that may be applied.

Sales Tax and Hotel/Motel Tax. Sales tax and hotel/motel taxes paid while traveling are eligible expenses.

Tolls. Reasonable tolls will be allowed when the most direct travel route requires them.

11. NON-ELIGIBLE EXPENSES

The following items are non-eligible travel expenses. However, these are provided only as a guideline and not necessarily a complete list:

a. Accidents and breakdowns in employee-owned vehicles,
b. Airline or other travel insurance,
c. Alcoholic beverages,
d. Barbers and hairdressers,
e. Car washes for employee-owned vehicles,
f. Entertainment expenses,
g. Fines for traffic or parking violations,
h. Golf fees,
i. Kennel costs for pets,
j. Laundry and valet service,
k. Mileage and lodging expenses incurred within the City limits unless approved in advance by the City Administrator,
l. Private aircraft unless approved in advance by the City Administrator,
m. Spa/salon services,
n. Traffic fines and parking tickets, and
o. Transportation costs incurred for personal purposes are not reimbursable.

12. TRAVEL PAY

The City uses U.S. Department of Labor regulations for travel pay. The regulations determine pay based on the nature of travel. Only non-exempt employees are eligible for travel pay.

13. SPECIAL CIRCUMSTANCES

The City Administrator may address special circumstances and issues not covered in this policy.

Proposed Updates - 2018

Travel Policy

Has Stood the Test of Time (13 years)

cial Policies

ty of Franklin's Board of Mayor and Aldermen has approved the following policies based ancial best practices:

Policy	Policy #	Board Approval Date
ebts Policy	Resolution 2012-33	7/10/2012
Management	Resolution 2015-76	4/12/2016
sements	Resolution 2016-33	6/28/2016
l Tax Compliance Policies & Procedures	---	1/24/2012
Balance Policy - General Fund	Resolution 2017-47	6/27/2017
ment Policy for Non-Pension Assets	Resolution 2015-65	9/22/2015
n Funding Policy	Resolution 2014-74	10/28/2014
ing and Depositing Money	---	11/25/2014
and Expense Policy and Procedures	---	4/12/2005
tion and Replacement of Funds from Certain Reserve nts (Reserve Policy)	Resolution 2012-44	8/28/2012

1. Added Table of Contents (page 1)

TABLE OF CONTENTS

2. POLICY TO BE DEFAULT GUIDANCE FOR ELIGIBLE TRAVEL EXPENSES BY VENDORS

(SECTION 3: AUTHORIZED TRAVELER, PAGE 2)

Unless otherwise specified, this policy applies to vendors for travel or business expenses eligible for reimbursement by the City.

3. TRAVEL ADVANCES NOT ISSUED (PRIMARILY DUE TO PURCHASING CARDS)

(SECTION 4: TRAVEL AND EXPENSES, PAGE 3)

The City does not provide travel advances. (Eligible travel expenses not paid directly or by purchasing card will be reimbursed.)

WHO AUTHORIZES TRAVEL DEPENDING ON AMOUNT

(SECTION 5: DOCUMENTATION, PAGE 4)

Travel authorizations of $2,500 or over are approved by the City Administrator or an Assistant City Administrator. Those under $2,500 may be approved by the department head or designee.

5. ADDITIONAL TIME TO SUBMIT REIMBURSEMENT REQUESTS (CURRENTLY 10 DAYS). IDENTIFY MAXIMUM TIME.

(SECTION 5: DOCUMENTATION, PAGE 4)

Reimbursement requests, including those for mileage, should be received by Finance within 30 days of the end of the travel or expense period. Reimbursement requests received after 60 days of the end of travel or expense period are not eligible for reimbursement.

6. IF APPLICABLE, FEDERAL GRANTS REQUIRE DOCUMENTATION

(recommended by City's auditors)

(SECTION 5: DOCUMENTATION, PAGE 4)

Travel expenses chargeable to a federal award require documentation to substantiate that the travel is necessary to the federal award.

7. HANDLING MISSING RECEIPTS

(SECTION 5: DOCUMENTATION, PAGE 4)

If an invoice or receipt is missing, substitute documentation is needed for the expense. If the expense is under $25, the substitute documentation detailing the expense may be provided in lieu of the missing invoice or receipt. If $25 or more, the substitute documentation needs to include evidence of the vendor being unable to provide a replacement invoice or receipt.

8. RENTAL VEHICLE AND MILEAGE REIMBURSEMENT NOT CONNECTED

(SECTION 7: TRANSPORTATION, PAGE 5)

A rental vehicle is not eligible for mileage reimbursement.

9. ELIGIBLE MILEAGE FOR TRAVEL FROM HOME TO A TEMPORARY WORK LOCATION – SUCH AS TRAINING – EXCLUDES NORMAL COMMUTE MILEAGE

(SECTION 7: TRANSPORTATION, PAGE 6)

Mileage on trips from home to a temporary work location must exceed employee's normal commute to be reimbursable. (Normal commute miles will be deducted from the mileage to or back home from the temporary work location.)

10. PRIORITIZE USE OF CITY VEHICLES

(SECTION 7: TRANSPORTATION, PAGE 7)

Local transportation should normally be by city vehicle. Local mileage will be paid in cases where a city vehicle is not available.

11. SPECIFY ELIGIBILITY OF CONFERENCE HOTELS

(SECTION 8: LODGING, PAGE 7)

Travelers may stay at conference hotel(s) at conference / training / event rate, including a comparable rate hotel if conference / training / event hotels are filled.

12. SPECIFY DIFFERENCE BETWEEN TRAVEL MEALS AND BUSINESS MEALS, AND DEFAULT FOR OVERNIGHT STAYS.

(SECTION 9: MEALS, PAGE 7)

Travel meals comprise meals when there is an overnight stay. (An overnight stay is typically for travel beyond the Middle Tennessee region of the state.)

Meals provided when there is not an overnight stay may be eligible business meals.

13. SPECIFY MEAL RATES FOR FIRST AND LAST DAY OF TRAVEL, AND POTENTIAL REDUCTION.

(SECTION 9: MEALS, PAGE 7)

On the first and last day of travel, the maximum is 75% of the CONUS per diem meals breakdown. The daily rate for meals would also be reduced for any meal provided at a conference / training / event (using the rate for that meal).

14. SPECIFY OTHER ELIGIBLE EXPENSES

(SECTION 10: OTHER ELIGIBLE EXPENSES, PAGE 8)

Gratuities at Restaurants. Reasonable gratuities at full-service estaurants are eligible travel expenses. The gratuity needs to not exceed 20%.

Sales Tax and Hotel/Motel Tax. Sales tax and hotel/motel axes paid while traveling are eligible expenses.

15. SPECIFY TRAVEL PAY REGULATIONS

(SECTION 12: TRAVEL PAY, PAGE 9)

The City uses U.S. Department of Labor regulations for travel pay. The regulations determine pay based on the nature of travel. Only non-exempt employees are eligible for travel pay.

RESOLUTION 2018-39

TO BE ENTITLED: "A RESOLUTION TO AMEND CITY OF FRANKLIN DISBURSEMENTS POLICY TO UPDATE VENDOR PAYMENT REQUIREMENTS AND DEFINITIONS"

WHEREAS, the City of Franklin implemented a Disbursements Policy on June 28, 2016; and

WHEREAS, the policy established vendor payment requirements and definitions; and

WHEREAS, the Finance Department is proposing updates to reflect vendor payment best practices; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the citizens of the City of Franklin to make this change.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF FRANKLIN, TENNESSEE, AS FOLLOWS:

SECTION 1. **ADD FINANCE PROVIDES GUIDANCE ON PAYMENT FEES**

Update Policy Section 4. Payment Fees.

The following language shall be inserted at the end of the section:

> Finance provides guidance for the approved fee limits and/or for approval to accept payment fees beyond the fee limits.

SECTION 2. **UPDATE WORDING FOR PAYMENTS OF $100,000 OR MORE**

Update Policy Section 5. Authorized Approvers:

The current language, which reads as follows, shall be deleted in its entirety:

> Payment requests over $100,000 are to be approved by the department director or higher.

The following language shall be inserted:

> Payment requests of $100,000 or more are to be approved by the department director or higher.

SECTION 3. **UPDATE TO INCLUDE ITEMIZED BEFORE INVOICES**

Update Policy Section 7. Disbursements Documentation:

The current language, which reads as follows, shall be deleted in its entirety:

> It shall be the responsibility of the department to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include invoices, packing lists, and receiving forms or other evidence of receipt.

The following language shall be inserted:

> It shall be the responsibility of the department to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include itemized invoices, packing lists, and receiving forms or other evidence of receipt.

SECTION 4. UPDATE TO INCLUDE REQUISITION NUMBER AND CONTRACT NUMBER

Update Policy Section 7. Disbursements Documentation:

The current language, which reads as follows, shall be deleted in its entirety:

> **For Non-Construction-Related Procurement Payments**
> Inclusion of the purchase order number (where applicable) and receiving document (or similar document.)

The following language shall be inserted:

> **For Non-Construction-Related Procurement Payments**
> Inclusion of the purchase order number (where applicable) or requisition number and contract number.

SECTION 5. UPDATE TO INCLUDE CONTRACT PAYMENT REQUEST FORM

Update Policy Section 7. Disbursements Documentation:

The current language, which reads as follows, shall be deleted in its entirety:

> **For Construction-Related Procurement Payments**
> Inclusion of the project number (where applicable), contract number, and contractor's payment application (or similar document) with remaining contract balance.

The following language shall be inserted:

> **For Construction-Related Procurement Payments**
> Inclusion of the contract payment request form with project number, contract number, and contractor's payment application (or similar document) with remaining contract balance.

SECTION 6. UPDATE TO INCLUDE TIME PERIOD ON EMPLOYEE REIMBURSEMENTS

Update Policy Section 7. Disbursements Documentation:

The current language, which reads as follows, shall be deleted in its entirety:

> **For Employee Reimbursement Payments**
> Inclusion of employee identification number and/or name. (Where applicable, state and federal requirements, such as HIPAA privacy regulations, will be followed).

The following language shall be inserted:

For Employee Reimbursement Payments
Inclusion of employee identification number and/or name. (Where applicable, state and federal requirements, such as HIPAA privacy regulations, will be followed). The time period for submittal is shown in the travel policy.

SECTION 7. UPDATE TO INCLUDE ADDITIONAL CRITERION TO TIMEFRAME

Update Policy Section 9. Timeframe for Vendor Payments:

The current language, which reads as follows, shall be deleted in its entirety:

The City of Franklin does not make invoice payments prior to the due date and/or completed service or goods received unless it is specified in an agreement prior to the procurement.

The following language shall be inserted:

The City of Franklin does not make invoice payments prior to the due date and/or completed service or goods received unless it is specified in an agreement prior to the procurement or if moving the payment to an AP date closer to net 30 would make the invoice payment late.

It is therefore RESOLVED this the ____ day of _____________________, 2018.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE:**
By: ________________________	**By: ________________________**
Eric S. Stuckey	**Dr. Ken Moore**
City Administrator	**Mayor**

Approved as to form:

____
Shauna R. Billingsley, City Attorney

Proposed Updates - 2018

Disbursements Policy

Recent Policy

cial Policies

ty of Franklin's Board of Mayor and Aldermen has approved the following policies based ancial best practices:

Policy	Policy #	Board Approva
Policy	Resolution 2012-33	7/10/2012
agement	Resolution 2015-76	4/12/2016
nents	Resolution 2016-33	6/28/2016
x Compliance Policies & Procedures	---	1/24/2012
nce Policy - General Fund	Resolution 2017-47	6/27/2017
nt Policy for Non-Pension Assets	Resolution 2015-65	9/22/2015
unding Policy	Resolution 2014-74	10/28/2014
and Depositing Money	---	11/25/2014
Expense Policy and Procedures	---	4/12/2005
n and Replacement of Funds from Certain Reserve Accounts (Reserve Policy)	Resolution 2012-44	8/28/2012

Why Update Proposed?

ACCOUNTS PAYABLE, WHO WORKS WITH VENDOR DISBURSEMENTS ON A DAILY BASIS, RECOMMENDED THESE UPDATES

1. FINANCE PROVIDES GUIDANCE ON PAYMENT FEES

(SECTION 4: PAYMENT FEES, PAGE 4)

Finance provides guidance for the approved fee limits and/or for approval to accept payment fees beyond the fee limits.

2. UPDATE WORDING FOR PAYMENTS OF $100,000 OR MORE

(SECTION 5: AUTHORIZED APPROVERS, PAGE 4)

Payment requests of $100,000 or more are to be approved by the department director or higher.

UPDATE TO INCLUDE ITEMIZED BEFORE INVOICES

ECTION 7: DISBURSEMENTS DOCUMENTATION, PAGE 5)

It shall be the responsibility of the department to provide sufficient and accurate documentation to the Finance Department for prompt payment. Such documentation shall include itemized invoices, packing lists, and receiving forms or other evidence of receipt.

4. UPDATE TO INCLUDE REQUISITION NUMBER AND CONTRACT NUMBER

(SECTION 7: DISBURSEMENTS DOCUMENTATION, PAGE 5)

For Non-Construction-Related Procurement Payments

Inclusion of the purchase order number (where applicable) or requisition number and contract number.

5. UPDATE TO INCLUDE CONTRACT PAYMENT REQUEST FORM

(SECTION 7: DISBURSEMENTS DOCUMENTATION, PAGE 5)

For Construction-Related Procurement Payments

Inclusion of the contract payment request form with project number, contract number, and contractor's payment application (or similar document) with remaining contract balance.

6. UPDATE TO INCLUDE TIME PERIOD ON EMPLOYEE REIMBURSEMENTS

(SECTION 7: DISBURSEMENTS DOCUMENTATION, PAGE 5)

For Employee Reimbursement Payments

Inclusion of employee identification number and/or name. (Where applicable, state and federal requirements, such as HIPAA privacy regulations, will be followed). The time period for submittal is shown in the travel policy.

7. UPDATE TO INCLUDE ADDITIONAL CRITERION TO TIMEFRAME

(SECTION 9: TIMEFRAME FOR VENDOR PAYMENTS, PAGE 6)

The City of Franklin does not make invoice payments prior to the due date and/or completed service or goods received unless it is specified in an agreement prior to the procurement or if moving the payment to an AP date closer to net 30 would make the invoice payment late.

RESOLUTION 2018-24

A RESOLUTION ADOPTING A REVISED PURCHASING POLICY FOR CITY OF FRANKLIN, TENNESSEE, PROCUREMENTS NOT PERTAINING TO THE DESIGN AND/OR CONSTRUCTION OF NEW INFRASTRUCTURE AND FACILITIES

WHEREAS, in 2004, the Board of Mayor and Aldermen of the City of Franklin established methods to comply with the Municipal Purchasing Law of 1983, as amended, and to provide for a more formal process for the procurement of equipment, services, and materials for the operation of municipal government but not pertaining to the design and/or construction of new infrastructure and facilities; and

WHEREAS, on July 26, 2011, the Board of Mayor and Aldermen adopted Resolution No. 2011-26, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 14, 2014, the Board of Mayor and Aldermen adopted Resolution No. 2014-06, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on January 27, 2015, the Board of Mayor and Aldermen adopted Resolution No. 2014-90, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on June 28, 2016, the Board of Mayor and Aldermen adopted Resolution No. 2016-24, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, on June 27, 2017, the Board of Mayor and Aldermen adopted Resolution No. 2017-41, a resolution adopting a revised purchasing policy for the City; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to clarify City policy on repetitive purchases of like products and services; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to indicate that competitive pricing is not required for fees paid by the City for products and services provided to the City by the State of Tennessee, other units of local government, and public utilities and utility districts; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to indicate that the criteria listed for determining whether a vendor competing for City business pursuant to the City's own competitive process is responsible and responsive are advisory rather than prescriptive; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to indicate that the emergency and sole-source bases for pricing are to be used only if necessary; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to clarify that vendor payments made by purchasing card are to comply not only with the City's purchasing policy and procedures but also with the City's disbursements policy and procedures; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin for the purchasing policy to be further revised to clarify how requests to inspect and/or obtain either complete or partial copies of purchasing-related records are to be handled; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to implement a revised Purchasing Policy for procurements not pertaining to the design and/or construction of new infrastructure and facilities to reflect these changes and to otherwise update the City's policy.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:

Section 1. The purchasing policy for City of Franklin procurements not pertaining to new construction adopted by Resolution No. 2017-41, and all subsequent changes or revisions, are hereby repealed in their entirety. In place thereof, the purchasing policy for City of Franklin procurements not pertaining to the design and/or construction of new infrastructure and facilities, attached as Exhibit A hereto, is adopted.

Section 2. The Purchasing Manager of the City shall be responsible for the administration and enforcement of the policy hereby adopted.

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

Section 4. The effective date of the policy hereby adopted shall be July 1, 2018, the public welfare and the welfare of the City requiring it.

Adopted this _____ day of ________________, 2018.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE:**
BY:______________________________	**BY:**______________________________
Eric S. Stuckey, City Administrator/Recorder	**Dr. Ken Moore, Mayor**

APPROVED AS TO FORM BY:

____

Tiffani Pope, Staff Attorney

HISTORIC
FRANKLIN
TENNESSEE

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

A. General Provisions

This City of Franklin ("City") Purchasing Policy shall apply to the purchase of materials, supplies, vehicles and equipment, the purchase of services other than those pertaining to the design and/or construction of new infrastructure and facilities, leases and lease-purchases, and the disposal and transfer of surplus personal property, all for the proper conduct of the City's business.

All contracts, leases and lease-purchase agreements are subject to the approval of the Board of Mayor and Aldermen, unless otherwise provided by resolution or ordinance. Any contracts, leases and lease-purchase agreements extending beyond the end of the current fiscal year shall be so noted prior to consideration by the Board of Mayor and Aldermen.

Whenever the City undertakes its own competitive procurement process for the procurement of goods and/or services not pertaining to the design and/or construction of new infrastructure and facilities, then the City is hereby authorized to utilize the one or more of the following procurement methodologies best suited for the intended procurement:

- request for quotations (not for purchases valued at $25,000 or more)
- solicitation for bids
- request for proposals
- request for qualifications

This Purchasing Policy is intended to promote the public interest and preserve and enhance the public trust by establishing a transparent procurement system by which the City conducts its non-construction related purchasing, and by providing vendors with a fair forum for competing for City business.

B. Responsibilities of Departments

The following are the responsibility of each department:

1. Departments shall be responsible for purchases and projects valued less than $25,000. (In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered.)
2. Departments shall use pricing established pursuant to City procurement awards or Tennessee statewide contracts (SWC) if and as available. The use of pricing established by cooperative purchasing arrangements approved by the City Administrator for use by the City, as well as pricing established by other Tennessee local governments pursuant to a competitive process involving "public advertisement" (hereby defined to mean the same as that term is used in T.C.A. § 6-56-301 *et seq.*, the Tennessee Municipal Purchasing Law of 1983, as it may be amended from time to time) and sealed submittals, are acceptable alternatives and may be used in lieu of competitive pricing established by the City or the State.
3. Departments shall coordinate with the Purchasing Office and/or the Finance Department as to the method of payment that best meets the needs of the City.

4. Before placing an order for any non-emergency purchase valued at or greater than $10,000, departments shall prepare and submit a requisition, on the form prescribed by the Purchasing Office, and await approval thereof. For orders for emergency purchases valued at or greater than $10,000, the requisition may be completed within ten (10) calendar days after placing the order (and see "Emergency Purchases" below).
5. Purchases valued less than $25,000 but not less than $10,000 shall not be made unless and until, wherever possible, the department shall have obtained and forwarded to the Purchasing Manager competitive pricing quotations from at least three (3) vendors, said quotations to be either supplied in writing by the vendor or reduced to writing by the department, accompanied by a tabulation of the comparative aspects of the quotations obtained, a recommendation as to which quotation should be accepted and a requisition for the recommended quotation. As an alternative to obtaining three quotes, departments may use any of the procurement methodologies approved for usage for purchases valued at $25,000 or more.
6. All foreseeable purchases, including those valued less than $10,000, should not be made unless and until the department head or his or her authorized representative is satisfied that the value of the purchase is fairly priced and not more than what would be expected in the current market place. At the discretion of the department head or his or her authorized representative, for foreseeable purchases valued less than $10,000, the department should, whenever it is prudent to do so, obtain multiple competitive pricing quotations, said quotations to be either supplied in writing by the vendor or reduced to writing by the department.
7. As soon as practicable but within ten (10) calendar days of receipt of items ordered, departments shall be responsible for verifying that the items conform to the order. The process for taking delivery of items is as follows:
   - **a.** Inspect the goods to verify that they are in acceptable condition.
   - **b.** Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable.
   - **c.** Verify that the number of items ordered have been delivered, making special note when all or part of a particular order has been back-ordered.
   - **d.** Ensure that purchases of capital assets of the City have been properly reported, either directly or indirectly, to the Finance Department and the City's Risk Manager and, if rolling stock, Fleet Maintenance, on forms prescribed by those respective offices, so that records of such purchases may be updated, insurance coverage may be obtained, and vehicle tags may be obtained, all in a timely manner.
8. Regardless of method of payment, departments shall be responsible for reviewing, approving and allocating to the proper budget code all invoices authorized for payment.
9. It shall be the responsibility of each department to allow time for competitive solicitation, ordering and delivery pursuant to this Purchasing Policy.
10. No employee shall make any indication that he/she will recommend a particular product for purchase, knowingly bind the City to a specific vendor, or make any representation as to his or her authority to bind the City by contract when such is not the case.

C. Responsibilities of Purchasing Manager

The following are the responsibility of the Purchasing Manager:

1. The Purchasing Manager shall assist all departments in purchasing operating materials, supplies, vehicles, equipment and services to which this Purchasing Policy applies.
2. The Purchasing Manager shall be responsible for facilitating the competitive process by which all purchases to which this Purchasing Policy applies and valued at or greater than $25,000 are made.

3. For all purchases to which this Purchasing Policy applies and valued at or greater than $10,000, the Purchasing Manager shall advocate the purchase of required products and services only either from the lowest responsible and responsive bidder or from the responsible and responsive respondent whose proposal or other submittal is most advantageous to the City.
4. The Purchasing Manager shall advise the departments about the source and availability of products and services needed by the various departments.
5. The Purchasing Manager shall provide current vendor files available for use and review by departments.
6. The Purchasing Manager shall, upon request, obtain prices on comparable items.
7. The Purchasing Manager shall provide vendor lists, prepare Purchase Orders as necessary, and maintain orderly files.
8. The Purchasing Manager shall be alert on an ongoing basis for new sources and for improved products and services.
9. The Purchasing Manager shall assist the departments in the preparation of specifications for solicitations for bids and the requirements provisions of requests for proposals and requests for qualifications.
10. For formal procurement solicitations, the Purchasing Manager shall prepare and submit for timely publication all legal notices. To promote competition and facilitate the dissemination of documents and information pertaining to formal procurement solicitations, the Purchasing Manager shall post on the City's public website timely information about current formal procurement solicitations.
11. The Purchasing Manager shall periodically review the City's recent records of repetitive purchases, over time, across the organization and across suppliers and service providers, of like products and services, and shall advocate the City consolidate and aggregate its purchase of as many foreseeably necessary like products and services as practicable so to improve pricing for the City, to improve services provided to the City, and/or to reduce the City's cost of operations.
12. To the extent practicable, the Purchasing Manager shall strive to apply procurement thresholds of the City by like product or service for all anticipated needs of the City for the maximum term of a prospective award.
13. The Purchasing Manager shall investigate complaints from departments of poor performance by vendors, or complaints about inferior products, and shall, in consultation with the City's Law Department, choose which, if any, remedies are available to the City to pursue.
14. The Purchasing Manager shall be responsible for disposing of the City's surplus personal property of any value by means of a competitive process and in compliance with City ordinance, except in cases involving data security or other mitigating circumstances. The Purchasing Manager shall develop the appropriate documentation for the Finance Department in accordance with the City Code.
15. The Purchasing Manager shall be responsible for administering and overseeing the City's Purchasing Card program.
16. The Purchasing Manager shall be responsible for otherwise administering and complying with this Purchasing Policy and applicable Tennessee state law, specifically T.C.A. § 6-56-301 *et seq.* (Tennessee Municipal Purchasing Law of 1983) and T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments), as it may be amended from time to time, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

D. Circumstances under which competitive pricing is not required

Under any of the following circumstances, competitive pricing (sealed bids or proposals pursuant to public advertising if valued at or greater than $25,000; three quotes wherever possible if valued less than $25,000 but not less than $10,000) is not required. Under any of these same circumstances, neither individual authorization by nor specific reporting to the Board of Mayor and Aldermen is required unless such is otherwise required pursuant to this policy.

1. Authorized sole-source purchases (see below).
2. Authorized emergency expenditures (see below).
3. Purchases from instrumentalities created by two (2) or more cooperating governments, such as, but not limited to those established pursuant to T.C.A. § 12-9-101, et seq.
4. Purchases from non-profit corporations whose purpose or one of whose purposes is to provide products and services specifically to municipalities, as provided in T.C.A. § 6-56-302.
5. Purchases, leases or lease-purchases of real property, as provided by City ordinance and state law.
6. Purchases, leases, or lease-purchases of used or secondhand articles consisting of goods, equipment, materials, supplies, or commodities, as provided in T.C.A. § 12-3-1202.
7. Purchases of supplies, goods, equipment (except new or unused motor vehicles, unless the motor vehicles are manufactured for a special purpose as defined in § 12-3-1208) and/or services (except any transportation infrastructure project, including, but not limited to, projects for the construction or improvement of streets, highways, bridges, tunnels, or any roadway related facility), pricing for which has been established by other units of Tennessee local government, as provided in T.C.A. § 12-3-1203(a) and 12-3-1203(c).
8. Purchases pursuant to Tennessee Department of General Services statewide contracts (SWC) authorized for use by Tennessee local governments.
9. Purchases from Tennessee Rehabilitative Initiative in Correction (TRICOR).
10. Professional service contracts, as provided in T.C.A. § 12-3-1209.
11. Other professional services, including actuarial, architectural design, financial and compliance audit, engineering design, financial advisory, legal counsel and medical.
12. Tort liability insurance, as provided in T.C.A. § 29-20-407.
13. Purchase of fuels, fuel products or perishable commodities.
14. Purchases based on contracts established by a cooperative purchasing arrangement recognized by the City pursuant to Resolution No. 2009-50, as provided in T.C.A. § 12-3-1205.
15. Purchases based on contracts established by the United States General Services Administration (GSA) and authorized by GSA for use by US local governments, except as may be prohibited by applicable Tennessee statute.
16. Other arrangements and methods pursuant to Tennessee and/or federal law.
17. Fees paid by the City for products and services provided to the City by the State of Tennessee, other units of local government, and public utilities and utility districts.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

E. Rejection of Bids, Proposals or Other Submittals

The Purchasing Manager shall recommend to the Board of Mayor and Aldermen to reject any and all bids, proposals or other submittals received pursuant to a formal procurement solicitation issued by the Purchasing Office, or parts thereof, for any product or service to which this Policy applies, whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager believes the public interest would be best served by such rejection. The Purchasing Manager shall recommend to the Board of Mayor and Aldermen that it reject any such submittal of a vendor or contractor who is in default on the payment of taxes, licenses, fees or other monies of whatever nature that may be due the City by the vendor or contractor whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager becomes aware of such default.

F. Conflict of Interest, Use of Position, Solicitation

There are several sources of law and regulations, as they may be amended from time to time, that apply to conflicts of interest, use of position and solicitation. They are incorporated by reference and adopted as if fully stated herein.

a. <u>City Charter</u>

Article VIII ("Finance"), Section 16 ("Officers not to be Interested in City Contracts or Work") of the City of Franklin Charter reads as follows:

> No member of the Board of Mayor and Aldermen, or officer elected by said Board, shall be interested in any contract, or work of any kind whatever, under its control and direction, and any contract in which any such person shall have an interest shall be void and cannot be enforced.

b. <u>City of Franklin Municipal Code</u>

Title 1 ("General Administration"), Chapter 8 ("Ethics") of the City of Franklin Municipal Code sets forth the Code of Ethics for the City of Franklin, which applies to all full-time and part-time elective or appointed officials and employees of the City.

c. <u>City of Franklin Regulations</u>

Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads as follows:

> Except for the receipt of such compensation as may be lawfully provided for the performance of City duties, and except as noted below, no City officer or employee shall be privately interested in or profit, directly or indirectly, from business dealings with, of or by the City.
> Regular full-time, regular part-time and temporary employees of the City may, subject to the approval of the City Administrator, contract to perform services for the City by meeting the following criteria: (1) the service performed must not be any service which the employee might provide in the normal scope of their regular duties; (2) the employee would be required to bid or submit a proposal in the same manner as any other prospective provider of service; and (3) the service performed must not present a conflict of interest nor a conflict of time with the employee's regular duties.

Article XXII ("General Policies and Procedures"), Section I ("Use of Position"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads in part as follows:

> No City officer or employee shall make or attempt to make private purchases in the name of the City, nor otherwise use or attempt to use status as a City employee to secure unwarranted privileges or exemptions.

Article XXII ("General Policies and Procedures"), Section F ("Acceptance of Gratuities"), of the City's Human Resource Manual, as it may be amended from time to time, reads as follows:

> No City officer or employee shall accept or solicit any money or other consideration or favor from anyone other than the City for the performance of an act which the officer or employee would be required or expected to perform in the regular course of employment; nor shall any officer or employee accept, directly or indirectly, any gift, gratuity, or favor of any kind which might reasonably be an attempt to influence the individual's actions with respect to City business. For further explanation, see Title 1, Chapter 8 ("Ethics"), of the Municipal Code.

d. <u>Statutes</u>

Certain Tennessee statutes may apply to purchases involving city officers, committee members, etc. Selected Tennessee statutes may be found in Appendix A to this Purchasing Policy attached hereto for reference.

G. City Officer and Employee Communication with Vendors During Formal Procurement Solicitations for Sealed Submittals

Between the time a formal procurement solicitation for sealed submittals is issued by the City and the time an award is made, members of the Board of Mayor and Aldermen as well as employees of the City shall refrain from any form of communication with one or more vendors that may be competing for the award about any aspect of the procurement other than either in the context of a public meeting or by way of the Purchasing Office. The foregoing is not meant to preclude a representative of the City from answering questions from vendors if the question is already addressed in the formal solicitation documents, if the City representative is certain of the correct answer and if the Purchasing Office is informed of the communication. Otherwise, any inquiries from one or more vendors that may be competing for such an award shall be directed to the Purchasing Office which shall determine if an addendum to the formal procurement solicitation should be prepared and issued to all vendors known or thought to be interested in the procurement opportunity. Vendors that may be competing for an award pursuant to a formal procurement solicitation shall be instructed that, until that award has been made, they shall not communicate about either the content of or the procurement process pertaining to the relevant formal procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

H. City Officer and Employee Business Dealings with the City

See Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resources Manual.

See also Title 1 ("General Administration"), Chapter 8 ("Ethics"), of the City of Franklin Municipal Code.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

I. Tie Bids and Tie Quotes

Whenever the City utilizes its own competitive process, and in the event of tie bids or tie quotes (that is, when two or more responsible and responsive vendors offer products that meet all specifications, terms and conditions at identical total pricing for the minimum or estimated quantity indicated), then the tie bids or tie quotes shall be broken by means of one of the following methods, in descending order:

1. The award shall be made to the vendor who bid or quoted the soonest delivery of the product or completion of the service of all the vendors submitting the tie bids or tie quotes.
2. The award shall be made to the vendor who offered the pricing for the longest period of time for potential future orders of all the vendors submitting the tie bids or tie quotes.
3. If one or more of the vendors submitting the tie bids or tie quotes competed for the City's business the last time the City solicited bids or quotes for the same product or service, then the award shall be made to the vendor who offered the lowest pricing at that time of all the vendors submitting the tie bids or tie quotes.
4. If one or more of the vendors submitting the tie bid or tie quote have done business with the City within the most recent 24 months, then the award shall be made to the vendor who has done the most business with the City (measured in dollars) in that time frame of all the vendors submitting the tie bids or tie quotes.
5. The award shall be made by means of random selection, such method to be administered by the Purchasing Manager and to give equal opportunity to all the vendors submitting the tie bids or tie quotes.

J. Determining Responsible and Responsive Respondents

Whenever the City utilizes its own competitive process, products and services shall be purchased either from the lowest responsible and responsive bidder or from the responsive and responsible respondent whose proposal or other submittal is most advantageous to the City. In determining whether a competing vendor is responsible and responsive, criteria such as the following may be taken into consideration:

1. The ability of the competing vendor to perform the contract or provide the material or service required.
2. Whether the competing vendor can perform the contract or provide the service promptly, or within the time specified, without delay or interference.
3. The character, integrity, reputation, judgment, experience, expertise and efficiency of the competing vendor.
4. The previous and existing compliance by the competing vendor or a predecessor in interest with laws and ordinances relating to the contract or service.
5. The quality of the competing vendor's performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector customers.
6. The sufficiency of financial resources and the ability of the competing vendor to perform the contract or provide the service.
7. The ability of the competing vendor to provide future maintenance and service for the use of the materials, supplies, vehicles, equipment or contractual service contracted.
8. Compliance by the competing vendor with all specifications included in the solicitation for bids or with all requirements included in the request for proposals or request for qualifications.
9. The ability of the competing vendor to deliver and maintain any requisite bid bonds or performance bonds.

K. Emergency Purchases

When in the judgment of the City Administrator, the department head or the Purchasing Manager there exists an emergency impinging on public health, safety or welfare and a purchase valued at or greater than $10,000 is necessary, then the competitive purchasing provisions contained in this Purchasing Policy may be waived; provided, however, that if the emergency purchase is valued at or greater than $25,000 it shall be reported to the Board of Mayor and Aldermen at its next scheduled meeting.

The emergency basis for pricing should be used only if necessary. Purchases that qualify as emergencies are to be based on emergency pricing only if another policy-compliant basis for pricing (e.g., federal General Services Administration (GSA) via GSA contract, State of Tennessee via Tennessee statewide contract (SWC), one of the cooperative purchasing arrangements recognized by the City) is not known to be available.

L. Sole-Source Purchases

In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered. To the extent practicable, departments and the Purchasing Manager shall strive to apply procurement thresholds of the City by like product or service for all anticipated needs of the City for the maximum term of a prospective award.

The sole-source basis for pricing should be used only if necessary. Purchases that qualify as sole-source are to be based on sole-source pricing only if another policy-compliant basis for pricing (e.g., federal General Services Administration (GSA) via GSA contract, State of Tennessee via Tennessee statewide contract (SWC), one of the cooperative purchasing arrangements recognized by the City) is not known to be available.

Sole-source purchases valued at less than $10,000 may be authorized by the end-user department. Sole-source purchases valued at less than $25,000 but not less than $10,000 may be authorized by the Purchasing Manager upon being satisfied that it is not possible to obtain competitive pricing quotations from at least three (3) vendors. Except as noted below, sole-source purchases valued at or greater than $25,000 may not be made unless and until individually authorized by the Board of Mayor and Aldermen. Authorized sole-source purchases do not require sealed bids or proposals pursuant to public advertising. The criteria for evaluating sole-source purchases valued at or greater than $10,000 are presented in Appendix B to this Purchasing Policy. Sole-source purchases pertaining to circumstances under which sealed bids or proposals pursuant to public advertising are not required, as same are listed in provision D above, even if valued at or greater than $25,000, require neither individual authorization by nor specific reporting to the Board of Mayor and Aldermen unless otherwise required to be authorized or reported pursuant to this policy.

Sole-source purchases valued at or greater than $25,000 that do not require individual authorization by (but which shall still be reported to) the Board of Mayor and Aldermen include:

a. Repairs to, maintenance of, licenses for and/or maintenance agreements for products already in use by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: engine repairs made by the manufacturer or the manufacturer's representative for a vehicle; license and maintenance agreements for computer software.

b. Purchases of items necessary to maintain, expand or improve a manufacturer-specific system already in use by the City, and/or another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase, and that requires interconnectivity of and/or communication between the component parts, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: water meters and related parts; traffic signal equipment and related parts; athletic field lighting (and related parts) connected to a centralized master control; automated external defibrillators; cardiac monitors; telemetry/**supervisory control and data acquisition equipment**.

c. Purchases of items that have, for good and sufficient reason, previously been standardized by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: low-pressure wastewater collection grinder pumps and related parts; self-contained breathing apparatus; vehicle exhaust evacuation systems at individual fire stations, including installation if only one authorized installer is assigned to serve the City; vehicle extrication equipment.

M. Purchasing Card Program

The Purchasing Card Program shall be administered by the Purchasing Manager pursuant to procedures established therefor. The Purchasing Manager shall coordinate with department heads in determining to which employees and officers of the City to issue Purchasing Cards. Employees who are authorized and expected to travel on behalf of the City and at the City's expense shall be issued purchasing cards and are expected to use same in lieu of being given travel advances.

Employees' participation in the City's Purchasing Card Program is a privilege and a convenience that includes certain responsibilities. Although the purchasing card is issued in the cardholder's name, it is City property and therefore must be used in accordance with City policy and rules, as well as with objectively reasonable judgment, especially as follows:

1. The Purchasing Card is provided to employees based on their need to purchase authorized goods and services. A card may be revoked at any time based on change of assignment or location. The card is neither an entitlement nor a reflection of title or position.
2. The card may be used only for authorized obligations of the City; use of the card for a purchase other than an authorized obligation of the City (such as personal purchases as well as alcoholic beverages and entertainment), even if intended for future reimbursement, are specifically prohibited.
3. Purchases made with the card are to comply with City purchasing and disbursements policies and procedures. Such City procurement rules as the need for procurement requisitions, the basis for pricing, contracting, whether a certificate of insurance is necessary to require of the service provider, adequacy of budgeted funding, and

timing of payment relative to delivery of the product or service, all apply regardless of method of payment (such as by purchasing card).

4. The cardholder is the only person entitled to use the card and is accountable for all charges attributable to the card.
5. Cardholders are expected to exercise objectively reasonable judgment in deciding whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate. Improper use of a City purchasing card, especially intentional and unreported but even unintentional and reported, including personal purchases as well as alcoholic beverages and entertainment, even if reimbursed, may be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.
6. Other than for out-of-state purchases and purchases from fast-food restaurants (at which customers place and pay for the order before sitting down at a table), the cardholder is responsible for ensuring that the transaction is completed without sales tax being charged. If a transaction has been completed on which sales tax was charged in error, then the cardholder is responsible for contacting the vendor and requesting that the amount of the sales tax be credited back to the same City purchasing card to which the sales tax was charged. Documentation of this effort, and of the vendor's response, shall be submitted in addition to the supporting documentation for the transaction.
7. Cardholders are expected to comply with internal control procedures in order to protect the City's assets. This includes (a) not permitting anyone other than the cardholder to use the card; (b) making sure that each transaction is electronically processed in full and on time; (c) keeping and submitting on time detailed invoices or itemized payment receipts that substantiate each and every charge attributed to the purchasing card issued to the cardholder; (d) assisting the City upon request with reconciling the City's billing cycle statements; and (e) taking reasonable precautions to secure the purchasing card against loss and/or theft.
8. If electronic processing of a purchasing card transaction is not completed by the deadline and the Purchasing Office has not been previously notified of the need for a delay, then the monthly credit limit for the respective purchasing card may be reduced to $0 until the processing is complete. This consequence applies to any transaction that has not been coded, explained with a comment, and approved by the individual assigned to approve purchasing card transactions for that cardholder. Credit limits will be restored to the previous amounts once electronic processing is complete.
9. Failure to submit on time adequate and legible supporting documentation for each transaction or to otherwise comply with City rules will carry consequences, possibly including reduction or loss of card spend authority, reimbursement of the City by the employee for unauthorized and/or unsubstantiated purchases, and/or disciplinary action, up to and including termination.
10. Cardholders are responsible for resolving any discrepancies by contacting the vendor and/or the issuing bank.
11. A lost or stolen purchasing card shall, as soon as practicable upon discovery of the loss or theft, be reported to the City Purchasing Office and/or to the issuing bank.
12. A cardholder must surrender his or her card upon termination of employment (i.e., retirement or voluntary or involuntary separation).

N. Payment for Purchases

All payments to vendors and service providers shall be made by one of the City's available methods of payment in accordance with City purchasing and disbursements policies and procedures.

O. Use of Internet Auctions for Purchases of City Property

The use of internet auctions is generally prohibited as a method for making City purchases unless specifically authorized in advance by the City Administrator.

P. Vendor Protests

Vendor protests shall be handled in accordance with the City's Vendor Protest Procedure for procurements not pertaining to new construction, as approved by resolution of the Board of Mayor and Aldermen.

Q. Disciplinary Action

Any employee who fails or refuses to comply with the provisions of this Purchasing Policy shall be subject to disciplinary action pursuant to and as provided in the Human Resources Manual, as it may be amended from time to time.

R. Requests for Proposals

Requests for competitive sealed proposals shall be used pursuant to T.C.A. § 12-3-1207 and may be used only when qualifications, experience, or competence are more important than price in making the purchase, and either (1) when there is more than one (1) solution to a purchasing issue and competitive sealed proposals would assist in choosing the best solution; or (2) when there is no readily identifiable solution to a purchasing issue and competitive sealed proposals would assist in identifying one (1) or more solutions. The request for competitive sealed proposals shall state the relative importance of price and other evaluation factors. The award shall be made to the responsible respondent whose proposal the governing body determines is the most advantageous to the City, taking into consideration price and the evaluation factors set out in the request for competitive sealed proposals. No other factor may be used in the evaluation.

S. Requests for Qualifications

Requests for qualifications may be used pursuant to T.C.A. § 12-3-1209 for legal services, fiscal agent, financial advisor or advisory services and similar services by professional persons or groups of high ethical standards, or pursuant to T.C.A. § 12-4-107 for architectural, engineering and construction services.

T. Procurement of Property and/or Services under a Federal Award

When procuring property and/or services under a Federal award, the City shall follow applicable provisions of 2 CFR Chapter I and Chapter II, Part 200, et al. ("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule"), as promulgated December 26, 2013 by Executive Office of the President, Office of Management and Budget, namely sections 200.318 ("General procurement standards") through 200.326 ("Contract provisions").

U. Requests to inspect and/or obtain either complete or partial copies of purchasing-related records

1. Sealed bids, requests received during protest period: After opening sealed bids submitted to and received by the City in response to a formal procurement solicitation for bids facilitated by the City Purchasing Office, but not later than the seventh calendar day after the City issues a notice of intent to award a pending procurement in response to such a procurement solicitation:
   a. Requests by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect such bids shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party.
   b. Requests other than by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect, and requests by any party to obtain either complete or partial copies of such bids shall be made pursuant to the City's public records request policy and procedure.

2. Sealed proposals and statements of qualifications and certain related records, requests received during protest period: After the City issues a notice of intent to award a pending procurement as a result of a formal procurement solicitation facilitated by the City Purchasing Office and involving a personal service, professional service, or consultant service request for proposals or request for qualifications solicitation that resulted in proposals or statements of qualifications having been submitted to and received by the City, but not later than the seventh calendar day after the City issues such a notice of intent to award:
   a. Requests by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect such proposals and statements of qualifications, and related records, including, but not limited to, evaluations, names of evaluation committee members, and all related memoranda or notes, shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party.
   b. Requests other than by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect, and requests by any party to obtain either complete or partial copies of such proposals and statements of qualifications, and related records, including, but not limited to, evaluations, names of

evaluation committee members, and all related memoranda or notes, shall be made pursuant to the City's public records request policy and procedure.

3. Sealed submittals (except any that have been attached to a City contract that has been posted on the City's website), requests received after protest period: After the seventh calendar day after the City issues a notice of intent to award a pending procurement in response to a formal procurement solicitation facilitated by the City Purchasing Office, requests by any party to inspect and/or obtain either complete or partial copies of bids, proposals or other vendor submittals, except any such documents that have been attached to a City contract that has been posted on the City's website (see below), shall be made pursuant to the City's public records request policy and procedure.

4. Other purchasing-related City records:

a. Other than between the date when the City releases a formal solicitation for sealed competitive submittal and the date when the sealed competitive submittal is due to be submitted and opened for any like product or service, for any purchasing-related City record that has already been posted on the City's website (e.g., contract, staff memorandum of recommendation, tabulation of bids, tabulation of proposals, tabulation of submittals in response to a City request for qualifications), requests by any party to inspect and/or obtain either complete or partial copies of such records shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party, and so honoring such a request may but need not involve the use of the City's public records request policy and procedure.

b. Between the date when the City releases a formal solicitation for sealed competitive submittal and the date when the sealed competitive submittal is due to be submitted and opened for any like product or service, for any purchasing-related City record that has already been posted on the City's website (e.g., contract, staff memorandum of recommendation, tabulation of bids, tabulation of proposals, tabulation of submittals in response to a City request for qualifications), requests by any party to inspect and/or obtain either complete or partial copies of such records shall be directed to and promptly honored by the City Purchasing Office in accordance with fair practices (e.g., timely preparation and issuance of an addendum with the requested record(s) attached) established by the City Purchasing Office, and so honoring such a request shall not involve the use of the City's public records request policy and procedure.

c. At any time, for all purchasing-related City records other than those pertaining to a formal procurement solicitation facilitated by the City Purchasing Office, requests by any party to inspect and/or obtain either complete or partial copies of such records shall be made pursuant to the City's public records request policy and procedure.

APPENDIX A
SELECTED TENNESSEE STATUTES APPLYING TO OFFICERS, COMMITTEE MEMBERS, ETC.

T.C.A. § 6-54-107. Interest of officer in municipal contracts prohibited.

a. No person holding office under any municipal corporation shall, during the time for which such person was elected or appointed, be capable of contracting with such corporation for the performance of any work that is to be paid for out of the treasury. Nor shall such person be capable of holding or having any other direct interest in such a contract. "Direct interest" means any contract with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

b. No officer in a municipality shall be indirectly interested in any contract to which the municipality is a party unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality.

c. 1. Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality may vote on matters in which such member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents."

2. In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, the member may abstain for cause by announcing such to the presiding officer. Any member of a local governing body of a county or municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

3. The vote of any person having a conflict of interest who does not inform the governing body of such conflict as provided in subdivision (c)(1) shall be void if challenged in a timely manner. As used in this subdivision (c)(3), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

4. Nothing in this subsection (c) shall be construed as altering, amending or otherwise affecting the provisions of § 12-4-101(a). In the event of any conflict between this subsection (c) and § 12-4-101(a), the provisions of § 12-4-101(a) shall prevail.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

T.C.A. § 6-54-108. Penalty for unlawful interest of officer.

Every officer of such corporation who shall unlawfully be concerned in making such contract, or who shall unlawfully pay money upon the same to or for any person declared incapable in § 6-54-107, shall forfeit the amount so paid; and such officer shall be jointly and severally liable to an action for the same, which action may be prosecuted by any citizen of the corporation in its name.

T.C.A. § 12-4-101. Personal interest of officers prohibited.

(a) (1) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation. This subdivision (a)(1) shall not be construed to prohibit any officer, committee person, director, or any person, other than a member of a local governing body of a county or municipality, from voting on the budget, appropriation resolution, or tax rate resolution, or amendments thereto, unless the vote is on a specific amendment to the budget or a specific appropriation or resolution in which such person is directly interested.

….

(b) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality or county.

(c) (1) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment predates the member's initial election or appointment to the governing body of the county or municipality may vote on matters in which the member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: “Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents.” The vote of any such member having a conflict of interest who does not so inform the governing body of such conflict shall be void if challenged in a timely manner. As used in this subdivision (c)(1), “timely manner” means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

(2) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment began on or after the date on which the member was initially elected or appointed to serve on the governing body of the county or municipality shall not vote on matters in which the member has a conflict of interest.

(3) (A) In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, such member may abstain for cause by announcing such to the presiding officer.

(B) (i) Any member of a local governing body of a municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

(ii) This subdivision (c)(3)(B) shall in no way be construed to apply to any county having a metropolitan form of government and having a population in excess of five hundred thousand (500,000), according to the 1990 federal census or any subsequent federal census.

….

T.C.A. § 12-4-102. Penalty for unlawful interest.

Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX B
SOLE-SOURCE PURCHASES VALUED AT OR GREATER THAN $10,000

Sole-source purchases valued at or greater than $10,000 shall be made only when an item is unique and possesses specific characteristics that can be filled by only one source and must have prior approval by the Purchasing Manager or, if the purchase is valued at or greater than $25,000, then the Board of Mayor and Aldermen except as detailed above (see "Sole-Source Purchases"). In determining whether to authorize sole-source purchases valued at or greater than $10,000, factors such as the following shall be considered:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;
2. whether the product or service is unique and easily established as one-of-a-kind;
3. whether the program requirements can be modified so that competitive products or services may be used;
4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers; and
5. whether items must be interchangeable or compatible with in-place items.

After review of the written justification from the requisitioning department and ascertaining that the item to be purchased meets one or several of the above criteria, and so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated, then, in lieu of competitive purchasing procedures, the Purchasing Manager shall either authorize the sole-source purchase or, if the purchase is valued at or greater than $25,000, then forward the request to the Board of Mayor and Aldermen for its consideration except as detailed above (see "Sole-Source Purchases").

Based in part on Rule No. 0690-3-1-.03(3) of Rules of the Tennessee Department of General Services, Purchasing Division.

HISTORIC
FRANKLIN
TENNESSEE

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

A. General Provisions

This City of Franklin ("City") Purchasing Policy shall apply to the purchase of materials, supplies, vehicles and equipment, the purchase of services other than those pertaining to the design and/or construction of new infrastructure and facilities, leases and lease-purchases, and the disposal and transfer of surplus personal property, all for the proper conduct of the City's business.

All contracts, leases and lease-purchase agreements are subject to the approval of the Board of Mayor and Aldermen, unless otherwise provided by resolution or ordinance. Any contracts, leases and lease-purchase agreements extending beyond the end of the current fiscal year shall be so noted prior to consideration by the Board of Mayor and Aldermen.

Whenever the City undertakes its own competitive procurement process for the procurement of goods and/or services not pertaining to the design and/or construction of new infrastructure and facilities, then the City is hereby authorized to utilize the one or more of the following procurement methodologies best suited for the intended procurement:

- request for quotations (not for purchases valued at $25,000 or more)
- solicitation for bids
- request for proposals
- request for qualifications

This Purchasing Policy is intended to promote the public interest and preserve and enhance the public trust by establishing a transparent procurement system by which the City conducts its non-construction related purchasing, and by providing vendors with a fair forum for competing for City business.

B. Responsibilities of Departments

The following are the responsibility of each ~~Department~~department:

1. Departments shall be responsible for purchases and projects valued less than $25,000. (In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered.)
2. Departments shall use pricing established pursuant to City procurement awards or Tennessee statewide contracts (SWC) if and as available. The use of pricing established by cooperative purchasing arrangements approved by the City Administrator for use by the City, as well as pricing established by other Tennessee local governments pursuant to a competitive process involving "public advertisement" (hereby defined to mean the same as that term is used in T.C.A. § 6-56-301 *et seq.*, the Tennessee Municipal Purchasing Law of 1983, as it may be amended from time to time) and sealed submittals, are acceptable alternatives and may be used in lieu of competitive pricing established by the City or the State.
3. Departments shall ~~advise~~ coordinate with the Purchasing Office and/or the Finance Department as to the method of payment that best meets the needs of the City.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

4. Before placing an order for any non-emergency purchase valued at or greater than $10,000, departments shall prepare and submit a requisition, on the form prescribed by the Purchasing Office, and await approval thereof. For orders for emergency purchases valued at or greater than $10,000, the requisition may be completed within ten (10) calendar days after placing the order (and see "Emergency Purchases" below).
5. Purchases valued less than $25,000 but not less than $10,000 shall not be made unless and until, wherever possible, the ~~Department~~ department shall have obtained and forwarded to the Purchasing Manager competitive pricing quotations from at least three (3) vendors, said quotations to be either supplied in writing by the vendor or reduced to writing by the ~~Department~~ department, accompanied by a tabulation of the comparative aspects of the quotations obtained, a recommendation as to which quotation should be accepted and a requisition for the recommended quotation. As an alternative to obtaining three quotes, departments may use any of the procurement methodologies approved for usage for purchases valued at $25,000 or more.
6. All foreseeable purchases, including those valued less than $10,000, should not be made unless and until the ~~Department Head~~ department head or his or her authorized representative is satisfied that the value of the purchase is fairly priced and not more than what would be expected in the current market place. At the discretion of the ~~Department Head~~ department head or his or her authorized representative, for foreseeable purchases valued less than $10,000, the ~~Department~~ department should, whenever it is prudent to do so, obtain multiple competitive pricing quotations, said quotations to be either supplied in writing by the vendor or reduced to writing by the ~~Department~~ department.
7. As soon as ~~possible~~ practicable but within ten (10) calendar days of receipt of items ordered, ~~Departments~~ departments shall be responsible for verifying that the items conform to the order. The process for taking delivery of items is as follows:
   - **a.** Inspect the goods to verify that they are in acceptable condition.
   - **b.** Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable.
   - **c.** Verify that the number of items ordered have been delivered, making special note when all or part of a particular order has been back-ordered.
   - **d.** Ensure that purchases of capital assets of the City have been properly reported, either directly or indirectly, to the Finance Department and the City's Risk Manager and, if rolling stock, Fleet Maintenance, on forms prescribed by those respective offices, so that records of such purchases may be updated, insurance coverage may be obtained, and vehicle tags may be obtained, all in a timely manner.
8. Regardless of method of payment, departments shall be responsible for reviewing, approving and allocating to the proper budget code all invoices authorized for payment.
9. It shall be the responsibility of each ~~Department~~ department to allow time for competitive solicitation, ordering and delivery pursuant to this Purchasing Policy.
10. No employee shall make any indication that he/she will recommend a particular product for purchase, knowingly bind the City to a specific vendor, or make any representation as to his or her authority to bind the City by contract when such is not the case.

C. Responsibilities of Purchasing Manager

The following are the responsibility of the Purchasing Manager:

1. The Purchasing Manager shall assist all ~~Departments~~ departments in purchasing operating materials, supplies, vehicles, equipment and services to which this Purchasing Policy applies.

2. The Purchasing Manager shall be responsible for facilitating the competitive process by which all purchases to which this Purchasing Policy applies and valued at or greater than $25,000 are made.
3. For all purchases to which this Purchasing Policy applies and valued at or greater than $10,000, the Purchasing Manager shall advocate the purchase of required products and services only either from the lowest responsible and responsive bidder or from the responsible and responsive respondent whose proposal or other submittal is most advantageous to the City.
4. The Purchasing Manager shall advise the ~~Departments~~ departments about the source and availability of products and services needed by the various ~~Departments~~ departments.
5. The Purchasing Manager shall provide current vendor files available for use and review by ~~Departments~~ departments.
6. The Purchasing Manager shall, upon request, obtain prices on comparable items.
7. The Purchasing Manager shall provide vendor lists, prepare Purchase Orders as necessary, and maintain orderly files.
8. The Purchasing Manager shall be alert on an ongoing basis for new sources and for improved products and services.
9. ~~In coordination with individual Departments departments, the~~ The Purchasing Manager shall assist the departments in the preparation of specifications for solicitations for bids and the requirements provisions of requests for proposals and requests for qualifications.
10. ~~The Purchasing Manager shall prepare all legal notices for competitive solicitations and shall also place additional notice of bid in appropriate publications and place on the City Website as necessary to assure ample opportunity for vendors to bid.~~ For formal procurement solicitations, the Purchasing Manager shall prepare and submit for timely publication all legal notices. To promote competition and facilitate the dissemination of documents and information pertaining to formal procurement solicitations, the Purchasing Manager shall post on the City's public website timely information about current formal procurement solicitations.
11. ~~The Purchasing Manager shall on an ongoing basis pursue consolidating the purchase of as many products and services as economically possible in order to reduce costs and/or improve services provided to the City.~~ The Purchasing Manager shall periodically review the City's recent records of repetitive purchases, over time, across the organization and across suppliers and service providers, of like products and services, and shall advocate the City consolidate and aggregate its purchase of as many foreseeably necessary like products and services as practicable so to improve pricing for the City, to improve services provided to the City, and/or to reduce the City's cost of operations.

~~11.~~12. To the extent practicable, the Purchasing Manager shall strive to apply procurement thresholds of the City by like product or service for all anticipated needs of the City for the maximum term of a prospective award.

~~12.~~13. The Purchasing Manager shall investigate complaints from ~~Departments~~ departments of poor performance by vendors, or complaints about inferior products, and shall, in consultation with the City's Law Department, choose which, if any, remedies are available to the City to pursue.

~~13.~~14. The Purchasing Manager shall be responsible for disposing of the City's surplus personal property of any value by means of a competitive process and in compliance with City ordinance, except in cases involving data security or other mitigating circumstances. The Purchasing Manager shall develop the appropriate documentation for the Finance Department in accordance with the City Code.

~~14.~~15. The Purchasing Manager shall be responsible for administering and overseeing the City's Purchasing Card program.

~~15.~~16. The Purchasing Manager shall be responsible for otherwise administering and complying with this Purchasing Policy and applicable Tennessee state law, specifically T.C.A. § 6-56-301 *et seq*. (Tennessee Municipal

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

Purchasing Law of 1983) and T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments), as it may be amended from time to time, including keeping and filing required records and reports, as if they were set out herein and made a part hereof and within definitions of words and phrases from the law as herein defined.

D. Circumstances under which competitive pricing is not required

Under any of the following circumstances, competitive pricing (sealed bids or proposals pursuant to public advertising if valued at or greater than $25,000; three quotes wherever possible if valued less than $25,000 but not less than $10,000) is not required. Under any of these same circumstances, neither individual authorization by nor specific reporting to the Board of Mayor and Aldermen is required unless such is otherwise required pursuant to this policy.

1. Authorized sole-source purchases (see below).
2. Authorized emergency expenditures (see below).
3. Purchases from instrumentalities created by two (2) or more cooperating governments, such as, but not limited to those established pursuant to T.C.A. § 12-9-101, et seq.
4. Purchases from non-profit corporations whose purpose or one of whose purposes is to provide products and services specifically to municipalities, as provided in T.C.A. § 6-56-302.
5. Purchases, leases or lease-purchases of real property, as provided by City ordinance and state law.
6. Purchases, leases, or lease-purchases of used or secondhand articles consisting of goods, equipment, materials, supplies, or commodities, as provided in T.C.A. § 12-3-1202.
7. Purchases of supplies, goods, equipment (except new or unused motor vehicles, unless the motor vehicles are manufactured for a special purpose as defined in § 12-3-1208) and/or services (except any transportation infrastructure project, including, but not limited to, projects for the construction or improvement of streets, highways, bridges, tunnels, or any roadway related facility), pricing for which has been established by other units of Tennessee local government, as provided in T.C.A. § 12-3-1203(a) and 12-3-1203(c).
8. Purchases pursuant to Tennessee Department of General Services statewide contracts (SWC) authorized for use by Tennessee local governments.
9. Purchases from Tennessee Rehabilitative Initiative in Correction (TRICOR).
10. Professional service contracts, as provided in T.C.A. § 12-3-1209.
11. Other professional services, including actuarial, architectural design, financial and compliance audit, engineering design, financial advisory, legal counsel and medical.
12. Tort liability insurance, as provided in T.C.A. § 29-20-407.
13. Purchase of fuels, fuel products or perishable commodities.
14. Purchases based on contracts established by a cooperative purchasing arrangement recognized by the City pursuant to Resolution No. 2009-50, as provided in T.C.A. § 12-3-1205.
15. Purchases based on contracts established by the United States General Services Administration (GSA) and authorized by GSA for use by US local governments, except as may be prohibited by applicable Tennessee statute.
16. Other arrangements and methods pursuant to Tennessee and/or federal law.
~~16.~~17. Fees paid by the City for products and services provided to the City by the State of Tennessee, other units of local government, and public utilities and utility districts.

E. Rejection of Bids, Proposals or Other Submittals

The Purchasing Manager shall recommend to the Board of Mayor and Aldermen to reject any and all bids, proposals or other submittals received pursuant to a formal procurement solicitation issued by the Purchasing Office, or parts thereof, for any product or service to which this Policy applies, whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager believes the public interest would be best served by such rejection. The Purchasing Manager shall recommend to the Board of Mayor and Aldermen that it reject any such submittal of a vendor or contractor who is in default on the payment of taxes, licenses, fees or other monies of whatever nature that may be due the City by the vendor or contractor whenever, prior to the Board of Mayor and Aldermen making an award pursuant to such a formal procurement solicitation, the Purchasing Manager becomes aware of such default.

F. Conflict of Interest, Use of Position, Solicitation

There are several sources of law and regulations, as they may be amended from time to time, that apply to conflicts of interest, use of position and solicitation. They are incorporated by reference and adopted as if fully stated herein.

a. <u>City Charter</u>

Article VIII ("Finance"), Section 16 ("Officers not to be Interested in City Contracts or Work") of the City of Franklin Charter reads as follows:

> No member of the Board of Mayor and Aldermen, or officer elected by said Board, shall be interested in any contract, or work of any kind whatever, under its control and direction, and any contract in which any such person shall have an interest shall be void and cannot be enforced.

b. <u>City of Franklin Municipal Code</u>

Title 1 ("General Administration"), Chapter 8 ("Ethics") of the City of Franklin Municipal Code sets forth the Code of Ethics for the City of Franklin, which applies to all full-time and part-time elective or appointed officials and employees of the City.

c. <u>City of Franklin Regulations</u>

Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads as follows:

> Except for the receipt of such compensation as may be lawfully provided for the performance of City duties, and except as noted below, no City officer or employee shall be privately interested in or profit, directly or indirectly, from business dealings with, of or by the City.
> Regular full-time, regular part-time and temporary employees of the City may, subject to the approval of the City Administrator, contract to perform services for the City by meeting the following criteria: (1) the service performed must not be any service which the employee might provide in the normal scope of their regular duties; (2) the employee would be required to bid or submit a proposal in the same manner as any other prospective provider of service; and (3) the service performed must not present a conflict of interest nor a conflict of time with the employee's regular duties.

Article XXII ("General Policies and Procedures"), Section I ("Use of Position"), of the City of Franklin Human Resource Manual, as it may be amended from time to time, reads in part as follows:

> No City officer or employee shall make or attempt to make private purchases in the name of the City, nor otherwise use or attempt to use status as a City employee to secure unwarranted privileges or exemptions.

Article XXII ("General Policies and Procedures"), Section F ("Acceptance of Gratuities"), of the City's Human Resource Manual, as it may be amended from time to time, reads as follows:

> No City officer or employee shall accept or solicit any money or other consideration or favor from anyone other than the City for the performance of an act which the officer or employee would be required or expected to perform in the regular course of employment; nor shall any officer or employee accept, directly or indirectly, any gift, gratuity, or favor of any kind which might reasonably be an attempt to influence the individual's actions with respect to City business. For further explanation, see Title 1, Chapter 8 ("Ethics"), of the Municipal Code.

d. Statutes

Certain Tennessee statutes may apply to purchases involving city officers, committee members, etc. Selected Tennessee statutes may be found in Appendix A to this Purchasing Policy attached hereto for reference.

G. City Officer and Employee Communication with Vendors During Formal Procurement Solicitations for Sealed Submittals

Between the time a formal procurement solicitation for sealed submittals is issued by the City and the time an award is made, members of the Board of Mayor and Aldermen as well as employees of the City shall refrain from any form of communication with one or more vendors that may be competing for the award about any aspect of the procurement other than either in the context of a public meeting or by way of the Purchasing Office. The foregoing is not meant to preclude a representative of the City from answering questions from vendors if the question is already addressed in the formal solicitation documents, if the City representative is certain of the correct answer and if the Purchasing Office is informed of the communication. Otherwise, any inquiries from one or more vendors that may be competing for such an award shall be directed to the Purchasing Office which shall determine if an addendum to the formal procurement solicitation should be prepared and issued to all vendors known or thought to be interested in the procurement opportunity. Vendors that may be competing for ~~a procurement~~ an award pursuant to a formal procurement solicitation shall be instructed that, until that award has been made, they shall not communicate about either the content of or the procurement process pertaining to ~~this~~ the relevant formal procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

H. City Officer and Employee Business Dealings with the City

See Article XXII ("General Policies and Procedures"), Section E ("Business Dealings"), of the City of Franklin Human Resources Manual.

See also Title 1 ("General Administration"), Chapter 8 ("Ethics"), of the City of Franklin Municipal Code.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

I. Tie Bids and Tie Quotes

Whenever the City utilizes its own competitive process, and in ~~In~~ the event of tie bids or tie quotes (that is, when two or more responsible and responsive vendors offer products that meet all specifications, terms and conditions at identical total pricing for the minimum or estimated quantity indicated), then the tie bids or tie quotes shall be broken by means of one of the following methods, in descending order:

1. The award shall be made to the vendor who bid or quoted the soonest delivery of the product or completion of the service of all the vendors submitting the tie bids or tie quotes.
2. The award shall be made to the vendor who offered the pricing for the longest period of time for potential future orders of all the vendors submitting the tie bids or tie quotes.
3. If one or more of the vendors submitting the tie bids or tie quotes competed for the City's business the last time the City solicited bids or quotes for the same product or service, then the award shall be made to the vendor who offered the lowest pricing at that time of all the vendors submitting the tie bids or tie quotes.
4. If one or more of the vendors submitting the tie bid or tie quote have done business with the City within the most recent 24 months, then the award shall be made to the vendor who has done the most business with the City (measured in dollars) in that time frame of all the vendors submitting the tie bids or tie quotes.
5. The award shall be made by means of random selection, such method to be administered by the Purchasing Manager and to give equal opportunity to all the vendors submitting the tie bids or tie quotes.

J. Determining Responsible and Responsive Respondents

~~As noted above~~Whenever the City utilizes its own competitive process, products and services shall be purchased either from the lowest responsible and responsive bidder or from the responsive and responsible respondent whose proposal or other submittal is most advantageous to the City. In determining whether a competing vendor is responsible and responsive, criteria such as the following ~~shall~~ may be taken into consideration:

1. The ability of the competing vendor to perform the contract or provide the material or service required.
2. Whether the competing vendor can perform the contract or provide the service promptly, or within the time specified, without delay or interference.
3. The character, integrity, reputation, judgment, experience, expertise and efficiency of the competing vendor.
4. The previous and existing compliance by the competing vendor or a predecessor in interest with laws and ordinances relating to the contract or service.
5. The quality of the competing vendor's performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector customers.
6. The sufficiency of financial resources and the ability of the competing vendor to perform the contract or provide the service.
7. The ability of the competing vendor to provide future maintenance and service for the use of the materials, supplies, vehicles, equipment or contractual service contracted.
8. Compliance by the competing vendor with all specifications included in the solicitation for bids or with all requirements included in the request for proposals or request for qualifications.
9. The ability of the competing vendor to deliver and maintain any requisite bid bonds or performance bonds.

K. Emergency Purchases

When in the judgment of the City Administrator, the ~~Department Head~~ department head or the Purchasing Manager there exists an emergency impinging on public health, safety or welfare and a purchase valued at or greater than $10,000 is necessary, then the competitive purchasing provisions contained in this Purchasing Policy may be waived; provided, however, that if the emergency purchase is valued at or greater than $25,000 it shall be reported to the Board of Mayor and Aldermen at its next scheduled meeting.

The emergency basis for pricing should be used only if necessary. Purchases that qualify as emergencies are to be based on emergency pricing only if another policy-compliant basis for pricing (e.g., federal General Services Administration (GSA) via GSA contract, State of Tennessee via Tennessee statewide contract (SWC), one of the cooperative purchasing arrangements recognized by the City) is not known to be available.

L. Sole-Source Purchases

In the context of this Policy, whenever any dollar thresholds are referenced, the estimated total value of the purchase or project, including all components related thereto, either over the course of the term of the award or, in the absence of a term of award, over the course of the next twelve (12) months, shall be considered. To the extent practicable, departments and the Purchasing Manager shall strive to apply procurement thresholds of the City by like product or service for all anticipated needs of the City for the maximum term of a prospective award.

The sole-source basis for pricing should be used only if necessary. Purchases that qualify as sole-source are to be based on sole-source pricing only if another policy-compliant basis for pricing (e.g., federal General Services Administration (GSA) via GSA contract, State of Tennessee via Tennessee statewide contract (SWC), one of the cooperative purchasing arrangements recognized by the City) is not known to be available.

Sole-source purchases valued at less than $10,000 may be authorized by the end-user department. Sole-source purchases valued at less than $25,000 but not less than $10,000 may be authorized by the Purchasing Manager upon being satisfied that it is not possible to obtain competitive pricing quotations from at least three (3) vendors. Except as noted below, sole-source purchases valued at or greater than $25,000 may not be made unless and until individually authorized by the Board of Mayor and Aldermen. Authorized sole-source purchases do not require sealed bids or proposals pursuant to public advertising. The criteria for evaluating sole-source purchases valued at or greater than $10,000 are presented in Appendix B to this Purchasing Policy. Sole-source purchases pertaining to circumstances under which sealed bids or proposals pursuant to public advertising are not required, as same are listed in provision D above, even if valued at or greater than $25,000, require neither individual authorization by nor specific reporting to the Board of Mayor and Aldermen unless otherwise required to be authorized or reported pursuant to this policy.

Sole-source purchases valued at or greater than $25,000 that do not require individual authorization by (but which shall still be reported to) the Board of Mayor and Aldermen include:

a. Repairs to, maintenance of, licenses for and/or maintenance agreements for products already in use by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: engine repairs made by the manufacturer or the manufacturer's representative for a vehicle; license and maintenance agreements for computer software.

b. Purchases of items necessary to maintain, expand or improve a manufacturer-specific system already in use by the City, and/or another governmental agency with which the City must cooperate in order to provide the public service relevant to the proposed purchase, and that requires interconnectivity of and/or communication between the component parts, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: water meters and related parts; traffic signal equipment and related parts; athletic field lighting (and related parts) connected to a centralized master control; automated external defibrillators; cardiac monitors; telemetry/supervisory control and data acquisition equipment.

c. Purchases of items that have, for good and sufficient reason, previously been standardized by the City, so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated. Examples: low-pressure wastewater collection grinder pumps and related parts; self-contained breathing apparatus; vehicle exhaust evacuation systems at individual fire stations, including installation if only one authorized installer is assigned to serve the City; vehicle extrication equipment.

M. Purchasing Card Program

The Purchasing Card Program shall be administered by the Purchasing Manager pursuant to procedures established therefor. The Purchasing Manager shall coordinate with ~~Department Heads~~ department heads in determining to which employees and officers of the City to issue Purchasing Cards. Employees who are authorized and expected to travel on behalf of the City and at the City's expense shall be issued purchasing cards and are expected to use same in lieu of being given travel advances.

Employees' participation in the City's Purchasing Card Program is a privilege and a convenience that includes certain responsibilities. Although the purchasing card is issued in the cardholder's name, it is City property and therefore must be used in accordance with City policy and rules, as well as with objectively reasonable judgment, especially as follows:

1. The Purchasing Card is provided to employees based on their need to purchase authorized goods and services. A card may be revoked at any time based on change of assignment or location. The card is neither an entitlement nor a reflection of title or position.
2. The card may be used only for authorized obligations of the City; use of the card for a purchase other than an authorized obligation of the City (such as personal purchases as well as alcoholic beverages and entertainment), even if intended for future reimbursement, are specifically prohibited.
3. Purchases made with the card are to comply with City purchasing ~~policy~~ and disbursements policies and procedures. Such City procurement rules as the need for procurement requisitions, the basis for pricing, contracting, whether a certificate of insurance is necessary to require of the service provider, adequacy of

budgeted funding, and timing of payment relative to delivery of the product or service, all apply regardless of method of payment (such as by purchasing card).

4. The cardholder is the only person entitled to use the card and is accountable for all charges attributable to the card.
5. Cardholders are expected to exercise objectively reasonable judgment in ~~making a decision about~~ deciding whether to make a purchase by considering (a) whether the potential purchase is prudent and necessary, and (b) whether the potential purchase would reflect well on the City and the cardholder, and be perceived by the general public as suitable and appropriate. Improper use of a City purchasing card, especially intentional and unreported but even unintentional and reported, including personal purchases as well as alcoholic beverages and entertainment, even if reimbursed, may be considered misappropriation of City funds, which may result in disciplinary action, up to and including termination.
6. Other than for out-of-state purchases and purchases from fast-food restaurants (at which customers place and pay for the order before sitting down at a table), the cardholder is responsible for ensuring that the transaction is completed without sales tax being charged. If a transaction has been completed on which sales tax was charged in error, then the cardholder is responsible for contacting the vendor and requesting that the amount of the sales tax be credited back to the same City purchasing card to which the sales tax was charged. Documentation of this effort, and of the vendor's response, shall be submitted in addition to the supporting documentation for the transaction.
7. Cardholders are expected to comply with internal control procedures in order to protect the City's assets. This includes (a) not permitting anyone other than the cardholder to use the card; (b) making sure that each transaction is electronically processed in full and on time; (c) keeping and submitting on time detailed invoices or itemized payment receipts that substantiate each and every charge attributed to the purchasing card issued to the cardholder; (d) assisting the City upon request with reconciling the City's billing cycle statements; and (e) taking reasonable precautions to secure the purchasing card against loss and/or theft.
8. If electronic processing of a purchasing card transaction is not completed by the deadline and the Purchasing Office has not been previously notified of the need for a delay, then the monthly credit limit for the respective purchasing card may be reduced to $0 until the processing is complete. This consequence applies to any transaction that has not been coded, explained with a comment, and approved by the individual assigned to approve purchasing card transactions for that cardholder. Credit limits will be restored to the previous amounts once electronic processing is complete.
9. Failure to submit on time adequate and legible supporting documentation for each transaction or to otherwise comply with City rules will carry consequences, possibly including reduction or loss of card spend authority, reimbursement of the City by the employee for unauthorized and/or unsubstantiated purchases, and/or disciplinary action, up to and including termination.
10. Cardholders are responsible for resolving any discrepancies by contacting the vendor and/or the issuing bank.
11. A lost or stolen purchasing card shall, as soon as ~~possible~~ practicable upon discovery of the loss or theft, be reported to the City Purchasing Office and/or to the issuing bank.
12. A cardholder must surrender his or her card upon termination of employment (i.e., retirement or voluntary or involuntary separation).

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

N. Payment for Purchases

All payments to vendors and service providers shall be made ~~either by purchasing card (in accordance with this Policy) or~~ by one of the City's ~~other~~ available methods of payment ~~(in accordance with the City's Disbursements Policy)~~ in accordance with City purchasing and disbursements policies and procedures.

~~O. Consolidation of Purchases~~

~~The Purchasing Manager, working in cooperation with Departments, shall on an on-going basis investigate ways and methods to consolidate as many purchases as possible. The purpose of consolidation is to allow the City to realize economies of scale, savings through reducing inventories of parts and supplies as well as reducing the number of vendors and accompanying financial record keeping.~~

~~P.~~O. Use of Internet Auctions for Purchases of City Property

The use of internet auctions is generally prohibited as a method for making City purchases unless specifically authorized in advance by the City Administrator.

~~Q.~~P. Vendor Protests

Vendor protests shall be handled in accordance with the City's Vendor Protest Procedure for procurements not pertaining to new construction, as approved by resolution of the Board of Mayor and Aldermen.

~~R.~~Q. Disciplinary Action

Any employee who fails or refuses to comply with the provisions of this Purchasing Policy shall be subject to disciplinary action pursuant to and as provided in the Human Resources Manual, as it may be amended from time to time.

~~S.~~R. Requests for Proposals

Requests for competitive sealed proposals shall be used pursuant to T.C.A. § 12-3-1207 and may be used only when qualifications, experience, or competence are more important than price in making the purchase, and either (1) when there is more than one (1) solution to a purchasing issue and competitive sealed proposals would assist in choosing the best solution; or (2) when there is no readily identifiable solution to a purchasing issue and competitive sealed proposals would assist in identifying one (1) or more solutions. The request for competitive sealed proposals shall state the relative importance of price and other evaluation factors. The award shall be made to the responsible respondent whose proposal the governing body determines is the most advantageous to the City, taking into consideration price and the evaluation factors set out in the request for competitive sealed proposals. No other factor may be used in the evaluation.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

~~T.~~S. Requests for Qualifications

Requests for qualifications may be used pursuant to T.C.A. § 12-3-1209 for legal services, fiscal agent, financial advisor or advisory services and similar services by professional persons or groups of high ethical standards, or pursuant to T.C.A. § 12-4-107 for architectural, engineering and construction services.

~~U.~~T. Procurement of Property and/or Services under a Federal Award

When procuring property and/or services under a Federal award, the City shall follow applicable provisions of 2 CFR Chapter I and Chapter II, Part 200, et al. ("Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule"), as promulgated December 26, 2013 by Executive Office of the President, Office of Management and Budget, namely sections 200.318 ("General procurement standards") through 200.326 ("Contract provisions").

~~V.~~U. Requests to inspect and/or obtain either complete or partial copies of purchasing-related records

1. Sealed bids, requests received during protest period: After opening sealed bids submitted to and received by the City in response to a formal procurement solicitation for bids facilitated by the City Purchasing Office, but not later than the seventh calendar day after the City issues a notice of intent to award a pending procurement in response to such a procurement solicitation:
   a. Requests by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect such bids shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party.
   b. Requests other than by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect, and requests by any party to obtain either complete or partial copies of such bids shall be made pursuant to the City's public records request policy and procedure.

2. Sealed proposals and statements of qualifications and certain related records, requests received during protest period: After the City issues a notice of intent to award a pending procurement as a result of a formal procurement solicitation facilitated by the City Purchasing Office and involving a personal service, professional service, or consultant service request for proposals or request for qualifications solicitation that resulted in proposals or statements of qualifications having been submitted to and received by the City, but not later than the seventh calendar day after the City issues such a notice of intent to award:
   a. Requests by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect such proposals and statements of qualifications, and related records, including, but not limited to, evaluations, names of evaluation committee members, and all related memoranda or notes, shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party.
   b. Requests other than by an Interested Party (as that term is defined in the City's Vendor Protest Procedure) to inspect, and requests by any party to obtain either complete or partial copies of such proposals and statements of qualifications, and related records, including, but not limited to, evaluations, names of

evaluation committee members, and all related memoranda or notes, shall be made pursuant to the City's public records request policy and procedure.

3. Sealed submittals (except any that have been attached to a City contract that has been posted on the City's website), requests received after protest period: After the seventh calendar day after the City issues a notice of intent to award a pending procurement in response to a formal procurement solicitation facilitated by the City Purchasing Office, requests by any party to inspect and/or obtain either complete or partial copies of bids, proposals or other vendor submittals, except any such documents that have been attached to a City contract that has been posted on the City's website (see below), shall be made pursuant to the City's public records request policy and procedure.

4. Other purchasing-related City records:

a. Other than between the date when the City releases a formal solicitation for sealed competitive submittal and the date when the sealed competitive submittal is due to be submitted and opened for any like product or service, for any purchasing-related City record that has already been posted on the City's website (e.g., contract, staff memorandum of recommendation, tabulation of bids, tabulation of proposals, tabulation of submittals in response to a City request for qualifications), requests by any party to inspect and/or obtain either complete or partial copies of such records shall be directed to and promptly honored by the City Purchasing Office at a time during normal business hours of the City Purchasing Office that is mutually convenient to both the City Purchasing Office and the requesting party, and so honoring such a request may but need not involve the use of the City's public records request policy and procedure.

b. Between the date when the City releases a formal solicitation for sealed competitive submittal and the date when the sealed competitive submittal is due to be submitted and opened for any like product or service, for any purchasing-related City record that has already been posted on the City's website (e.g., contract, staff memorandum of recommendation, tabulation of bids, tabulation of proposals, tabulation of submittals in response to a City request for qualifications), requests by any party to inspect and/or obtain either complete or partial copies of such records shall be directed to and promptly honored by the City Purchasing Office in accordance with fair practices (e.g., timely preparation and issuance of an addendum with the requested record(s) attached) established by the City Purchasing Office, and so honoring such a request shall not involve the use of the City's public records request policy and procedure.

~~a.~~c. At any time, for all purchasing-related City records other than those pertaining to a formal procurement solicitation facilitated by the City Purchasing Office, requests by any party to inspect and/or obtain either complete or partial copies of such records shall be made pursuant to the City's public records request policy and procedure.

APPENDIX A
SELECTED TENNESSEE STATUTES APPLYING TO OFFICERS, COMMITTEE MEMBERS, ETC.

T.C.A. § 6-54-107. Interest of officer in municipal contracts prohibited.

a. No person holding office under any municipal corporation shall, during the time for which such person was elected or appointed, be capable of contracting with such corporation for the performance of any work that is to be paid for out of the treasury. Nor shall such person be capable of holding or having any other direct interest in such a contract. "Direct interest" means any contract with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation.

b. No officer in a municipality shall be indirectly interested in any contract to which the municipality is a party unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality.

c. 1. Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality may vote on matters in which such member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: "Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents."

2. In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, the member may abstain for cause by announcing such to the presiding officer. Any member of a local governing body of a county or municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

3. The vote of any person having a conflict of interest who does not inform the governing body of such conflict as provided in subdivision (c)(1) shall be void if challenged in a timely manner. As used in this subdivision (c)(3), "timely manner" means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

4. Nothing in this subsection (c) shall be construed as altering, amending or otherwise affecting the provisions of § 12-4-101(a). In the event of any conflict between this subsection (c) and § 12-4-101(a), the provisions of § 12-4-101(a) shall prevail.

Purchasing Policy

<u>for City of Franklin procurements not pertaining to new construction</u>

T.C.A. § 6-54-108. Penalty for unlawful interest of officer.

Every officer of such corporation who shall unlawfully be concerned in making such contract, or who shall unlawfully pay money upon the same to or for any person declared incapable in § 6-54-107, shall forfeit the amount so paid; and such officer shall be jointly and severally liable to an action for the same, which action may be prosecuted by any citizen of the corporation in its name.

T.C.A. § 12-4-101. Personal interest of officers prohibited.

(a) (1) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be directly interested in any such contract. "Directly interested" means any contract with the official personally or with any business in which the official is the sole proprietor, a partner, or the person having the controlling interest. "Controlling interest" includes the individual with the ownership or control of the largest number of outstanding shares owned by any single individual or corporation. This subdivision (a)(1) shall not be construed to prohibit any officer, committee person, director, or any person, other than a member of a local governing body of a county or municipality, from voting on the budget, appropriation resolution, or tax rate resolution, or amendments thereto, unless the vote is on a specific amendment to the budget or a specific appropriation or resolution in which such person is directly interested.

….

(b) It is unlawful for any officer, committee member, director, or other person whose duty it is to vote for, let out, overlook, or in any manner to superintend any work or any contract in which any municipal corporation, county, state, development district, utility district, human resource agency, or other political subdivision created by statute shall or may be interested, to be indirectly interested in any such contract unless the officer publicly acknowledges such officer's interest. "Indirectly interested" means any contract in which the officer is interested but not directly so, but includes contracts where the officer is directly interested but is the sole supplier of goods or services in a municipality or county.

(c) (1) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment predates the member's initial election or appointment to the governing body of the county or municipality may vote on matters in which the member has a conflict of interest if the member informs the governing body immediately prior to the vote as follows: “Because I am an employee of (name of governmental unit), I have a conflict of interest in the proposal about to be voted. However, I declare that my argument and my vote answer only to my conscience and to my obligation to my constituents and the citizens this body represents.” The vote of any such member having a conflict of interest who does not so inform the governing body of such conflict shall be void if challenged in a timely manner. As used in this subdivision (c)(1), “timely manner” means during the same meeting at which the vote was cast and prior to the transaction of any further business by the body.

(2) Any member of a local governing body of a county or a municipality who is also an employee of such county or municipality and whose employment began on or after the date on which the member was initially elected or appointed to serve on the governing body of the county or municipality shall not vote on matters in which the member has a conflict of interest.

(3) (A) In the event a member of a local governing body of a county or a municipality has a conflict of interest in a matter to be voted upon by the body, such member may abstain for cause by announcing such to the presiding officer.

(B) (i) Any member of a local governing body of a municipality who abstains from voting for cause on any issue coming to a vote before the body shall not be counted for the purpose of determining a majority vote.

(ii) This subdivision (c)(3)(B) shall in no way be construed to apply to any county having a metropolitan form of government and having a population in excess of five hundred thousand (500,000), according to the 1990 federal census or any subsequent federal census.

….

T.C.A. § 12-4-102. Penalty for unlawful interest.

Should any person, acting as such officer, committee member, director, or other person referred to in § 12-4-101, be or become directly or unlawfully indirectly interested in any such contract, such person shall forfeit all pay and compensation therefor. Such officer shall be dismissed from such office the officer then occupies, and be ineligible for the same or a similar position for ten (10) years.

Purchasing Policy

for City of Franklin procurements not pertaining to new construction

APPENDIX B
SOLE-SOURCE PURCHASES VALUED AT OR GREATER THAN $10,000

Sole-source purchases valued at or greater than $10,000 shall be made only when an item is unique and possesses specific characteristics that can be filled by only one source and must have prior approval by the Purchasing Manager or, if the purchase is valued at or greater than $25,000, then the Board of Mayor and Aldermen except as detailed above (see "Sole-Source Purchases"). In determining whether to authorize sole-source purchases valued at or greater than $10,000, factors such as the following shall be considered:

1. whether the vendor possesses exclusive and/or predominant capabilities or the item contains a patented feature providing a superior utility not obtainable from similar products;
2. whether the product or service is unique and easily established as one-of-a-kind;
3. whether the program requirements can be modified so that competitive products or services may be used;
4. whether the product is available from only one source and not merchandised through wholesalers, jobbers or retailers; and
5. whether items must be interchangeable or compatible with in-place items.

After review of the written justification from the requisitioning department and ascertaining that the item to be purchased meets one or several of the above criteria, and so long as the product manufacturer representative has stated in writing that the vendor is the sole source available to the City, and so long as the vendor has stated in writing that the quoted pricing is the lowest municipal unit pricing available at that time and in the foreseeable future for the quantity indicated, then, in lieu of competitive purchasing procedures, the Purchasing Manager shall either authorize the sole-source purchase or, if the purchase is valued at or greater than $25,000, then forward the request to the Board of Mayor and Aldermen for its consideration except as detailed above (see "Sole-Source Purchases").

Based in part on Rule No. 0690-3-1-.03(3) of Rules of the Tennessee Department of General Services, Purchasing Division.

RESOLUTION 2018-52

TO BE ENTITLED: "A RESOLUTION TO AMEND CITY OF FRANKLIN INTERNAL CONTROL DOCUMENTATION"

WHEREAS, Tennessee Code Annotated 9-18-102 required local governments to document its internal controls by June 30, 2016; and

WHEREAS, TCA 9-18-102 specified that internal controls should be established and maintained to provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

WHEREAS, the City of Franklin adopted its Internal Control Documentation on April 26, 2016, per Resolution 2016-18; and

WHEREAS, the documentation created no new policies. It simply documented the City's current internal control objectives and assessment of the risks inherent in achieving these objectives; and

WHEREAS, the Finance, Purchasing, and Revenue Management departments are proposing updates to match our current internal controls; and

WHEREAS, the Board of Mayor and Aldermen believes it is in the best interest of the citizens of the City of Franklin to make this change.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF FRANKLIN, TENNESSEE, that the current Internal Control Documentation approved on April 26, 2016, should be replaced by Exhibit A as recommended by staff.

IT IS SO RESOLVED AND DONE on this _____ day of ________________________, 201___.

ATTEST:	**CITY OF FRANKLIN, TENNESSEE:**
By: _________________________	**By:** _________________________
Eric S. Stuckey	**Dr. Ken Moore**
City Administrator	**Mayor**

Approved as to form:

____
Shauna R. Billingsley, City Attorney

Law Dept. approved (2) 06.22.18

Exhibit A

CITY OF FRANKLIN, TENNESSEE

DOCUMENTATION OF INTERNAL CONTROLS

Section 9-18-102(a) of the Tennessee Code Annotated was amended to expressly require each county, municipal, and metropolitan government to establish and maintain internal controls.

The U.S. Office of Management and Budget (OMB) has established internal control guidance for all entities that receive federal awards at Code of Federal Regulations (CFR) 200.303. This guidance requires all entities to establish and maintain an effective system of internal control over federal awards. The OMB guidance further recommends implementing a system of internal control in accordance with internal control standards published in September 2014 by the U.S. Government Accountability Office (GAO) in *Standards for Internal Control in the Federal Government* (Green Book), as one method of complying with CFR 200.303.

The *Internal Control Manual for Local Governmental Entities and Other Audited Entities in Tennessee* (the "Internal Control Manual") should be used by all local governments.

This documentation follows the layout of the State's Internal Control Manual. (The Tennessee Code Annotated section and the OMB guidance referenced above is included in this documentation as Appendices A and B).

Contents

INTRODUCTION

OVERVIEW OF INTERNAL CONTROL

The U.S. Government Accountability Office (GAO) has established a common definition of internal controls, standards, internal control components, principles and attributes. The document that contains this information is often referred to as the Green Book. Because this GAO Green Book framework is widely accepted, it will be used as the basis for all internal control matters related to entities covered by this internal control manual as outlined in the preface.

Definition of Internal Control

Internal control is a process that is developed by the municipality to provide reasonable assurance that the following categories of objectives will be achieved:

Reporting	–	financial reporting will be reliable;
Operations	–	effectiveness and efficiency of operations; and
Compliance	–	compliance with applicable laws, regulations, contracts and grant agreements.

The above definition "reflects certain fundamental concepts." Those concepts are:

- Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.
- Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity.
- Internal control is an integral part of the organization not a separate system within the organization.
- Internal control is a process. It is a means to an end, not an end in itself.
- Internal control is affected by people. It is not merely policy manuals and forms, but people at every level of an organization.
- Internal control increases the likelihood that an entity will achieve its objectives. However it can only be expected to provide reasonable assurance, not absolute assurance, that all of the organization's objectives will be met.

While each organization may identify its mission, strategic plan, objectives, and plans for achieving its objectives in different ways, the Green Book approaches internal control through a hierarchical structure of five (5) components and seventeen (17) principles. The Green Book also contains additional information in the form of attributes. Attributes are presented under the heading title: “This Involves.” These attributes provide further explanation of the principles and documentation requirements.

Components of Internal Control

The five (5) main components of internal control are:

1.	**Control environment**	–	the foundation for an internal control system
2.	**Risk assessment**	–	assesses the risks facing the organization as it seeks to achieve its objectives
3.	**Control activities**	–	the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system
4.	**Information and communication**	–	the quality information management and personnel communicate and use to support the internal control system
5.	**Monitoring**	–	activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews

There is a direct relationship between the organization’s objectives, the five components of internal control and the organizational structure of the organization. The five components apply to all three categories of objectives and all levels of the organizational structure. The seventeen (17) principles support the components of internal control.

Summary

A good internal control framework is essential to providing reasonable assurance that organizations are achieving their objectives. Such objectives include, but are not limited to, utilizing public resources in compliance with laws, regulations and budgetary limitations. An adequate control framework will provide information that helps detect errors and fraud, and provides reasonable assurance that financial reports are accurate. It will limit the opportunity for theft or unauthorized use of assets, including cash, inventory, and capital assets.

COMPONENT 1

CONTROL ENVIRONMENT

GAO Green Book Principles 1 through 5

The control environment is the foundation for any internal control system. There are five (5) principles related to the control environment

1. ***The oversight body and management should demonstrate a commitment to integrity and ethical values.*** The governing body or other oversight body and management's directives, attitudes, and behaviors should reflect the integrity and ethical values expected throughout the entity.

   The City's Board of Mayor and Aldermen and management demonstrate this commitment to integrity and ethical values as follows:

   - The Board of Mayor and Aldermen have approved the Human Resources Manual which specifies expectations, discipline, and reporting of acts.
   - The Board of Mayor and Aldermen have approved a Code of Ethics. This Code of Ethics is included in the municipal code.
   - As part of its annual audit, the City's Board and Management complete a conflict of interest statement.
   - The Board of Mayor and Aldermen emphasizes best financial management practices. The City maintains a AAA bond rating from both Moody's and Standard & Poor's.
   - The City strives to have no audit findings in its annual audit.
   - The City performs a risk assessment annually for its insurance coverages.
   - The City plans to implement an office of internal audit sometime in the future. Currently, the Finance Department performs this function.

2. ***The oversight body should oversee the entity's internal control system.*** The governing body should oversee the design, implementation, and operation of the organization's internal control system as well as take appropriate action to resolve deficiencies. The governing body may appoint a separate oversight body (such as an audit committee) that has the independence and qualifications needed to impartially evaluate, scrutinize, question activities, and oversee the design, implementation, and operation of the organization's internal control system as well as take appropriate action to resolve

deficiencies. Management should be directly involved in developing the internal control system and is responsible for implementing and monitoring the system for compliance.

The City's Board oversees the entity's internal control system as follows:

- The Board will approve by resolution the City's internal control documentation by June 30, 2016. It will be reviewed and updated, if necessary, prior to the audit.
- The Budget and Finance Committee receives quarterly reports. Monthly reports are available upon request.
- The Budget and Finance Committee is designated by the Board as the City's Audit Committee, which reviews the annual audit for internal controls issues.
- The City's Board receives the annual audit for its acceptance.

3. ***Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.*** This includes:
   - Establishing, documenting, and regularly reviewing and updating a simple and flexible organizational plan that clearly addresses the assignment of authority and responsibility
   - Develop a manual that provides sufficient documentation of internal control to communicate to personnel their responsibilities as well as to monitor and evaluate the controls.

The City has established an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.

- The City's organizational chart is maintained by the Human Resources Department and issued in both the annual budget and annual audit report. It provides an overview of the lines of authority and responsibility. The City's Organization Chart is included as Appendix C.
- This internal control documentation includes individual responsibilities within areas of functional responsibility (e.g. receipting, payroll, accounts payable, and purchasing).

4. ***Management should demonstrate a commitment to recruit, develop, and retain competent individuals.*** This includes:

   Developing and regularly reviewing and updating a manual that addresses:
   - Job skills requirements (job descriptions, certifications, continuing professional education, education in new accounting standards, education in new laws, education in federal grant requirements, computer software education, and other general education and training requirements, etc.)
   - Employee benefits (leave, flex plans, health insurance, 401k, pension, other postemployment benefits, etc.)
   - The business continuity plan for succession and emergencies

   The City's Management demonstrates a commitment to recruit, develop, and retain competent individuals as follows:
   - The City continually maintains and reviews job descriptions to ensure quality candidates apply, are hired, and perform their responsibilities during their employment.
   - Under the City's pay plan, pay is market based and reviewed periodically.

- MTAS and other external and internal training is provided to ensure that those responsible and performing internal controls are well informed about changes in accounting and reporting, changes in laws that affect payroll and payroll related activities, changes in laws that affect purchasing, grants administration and emergency management training.
- As software is updated, training is provided to ensure continued proficiency in computer skills.
- Employees are encouraged to obtain certifications such as CPA and CMFO and the entity agrees to pay for continuing professional education requirements.
- Background checks are performed for all employees involved in financial transactions such as collecting and disbursing funds.

5. ***Management should evaluate performance and hold individuals accountable for the internal control responsibilities.*** This includes:
   - Developing and regularly reviewing and updating a manual that addresses:
   - Periodic job evaluations and corrective action(s) to be taken when there are deficiencies
   - Periodic evaluation of employee workload pressure and methods for communicating and implementing required changes to alleviate excessive workload pressures (whether created by management goals, time constraints, budgetary factors, cyclical demands, or increased workload buildup over time)

The City's Management evaluates performance and hold individuals accountable for the internal control responsibilities as follows:

- The City continually reviews job descriptions to ensure quality candidates apply, are hired, and perform their responsibilities during their employment.
- Under the City's new evaluation methodology, accountability for internal controls is a key component of performance.
- The Human Resources Manual requires an annual job evaluation for each employee. New employees have a probationary period. During that time, a corrective action plan will be developed for any deficiency noted as a result of an evaluation.

COMPONENT 2

RISK ASSESSMENT

GAO Green Book Principles 6 through 9

Having established an effective control environment, management assesses the risks facing the entity as it seeks to achieve its objectives. Generally speaking, risk assessment means asking questions about what could go wrong. There are four (4) principles related to risk assessment.

1. ***Management should define objectives clearly to enable the identification of risks and define risk tolerances.*** This includes:
   Developing and regularly reviewing and updating a document that addresses:
   - The organization's mission
   - The organization's goals and objectives in sufficient detail to allow for performance risk assessments in a reasonably consistent manner
   - The organization's risk tolerances or risk threshold for each objective in sufficient detail to allow for the appropriate design of an internal control system. Risk tolerances or thresholds should be assessed considering laws, regulations, generally accepted accounting principles, other standards, grant management, internal standards of conduct, oversight structure, organizational structure, and expectations of competence, etc.
   - The organization's judgments about materiality, both qualitatively and quantitatively (i.e. risk threshold)

   The City's Management has defined objectives clearly to enable the identification of risks and define risk tolerances as follows:
   - The City's mission is found in the annual budget document as well as on its open government platform: www.performance.franklintn.gov
   - The City has developed a strategic plan approved by the City's Board.
   - The City mitigates risk through insurance coverages as found in Appendix D.
   - The City has implemented strong internal controls, emphasizing separation of duties.
   - The City's internal controls provide reasonable assurance that unlawful acts are not occurring.

- Surety bonds and/or employee dishonesty insurance is purchased to mitigate the risk of loss of funds due to errors, irregularities, or fraud.

2. ***Management should identify, analyze, and respond to risks related to achieving the defined objectives.*** This includes:
   Developing and regularly reviewing and updating a document that addresses:
   - The risks associated with the organization's objectives
   - The methodology for determining if the risk identified is material to the organization
   - The action(s) to be taken to mitigate the risk

   The City's Management identifies, analyzes, and responds to risks related to achieving the defined objectives as follows:
   - Performs risk assessments in connection with its insurance coverages.
   - Performs internal control assessments (as shown in Attachment E).

3. ***Management should consider the potential for fraud when identifying, analyzing, and responding to risks.*** This includes:

   Reviewing and attending training to identify types of fraud that can occur. Fraud types include fraudulent financial reporting, theft of assets, and corruption (i.e. bribery and other illegal acts). Fraud risk factors include incentive or pressure, opportunity, and attitude or rationalization. Internal controls specifically relate to opportunity. Review organization operations to determine if and how a fraud could occur. Consider the loss potential and determine the acceptable level of risk that the organization is willing to accept. Develop controls to limit the risk of fraud.

   The City's Management considers the potential for fraud when identifying, analyzing, and responding to risks as follows:

   - Emphasizing fraud training
   - Understanding elements of fraud risk (incentive/pressure, opportunity, and rationalism)
   - Implementing separation of duties wherever possible
   - Evaluating risk in its entity-wide objectives of Operations, Reporting, and Compliance:
     <u>Operations Objectives</u> –

     - Ensure that the entity's resources are adequately safeguarded
     - Provide taxpayer services efficiently and effectively
     - Limit the need for tax increases
     - Provide for the long-term stability of the municipality
     - Provide a stable and rewarding work environment for employees

Reporting Objectives –

- Provide timely interim financial reports and schedules for evaluating the results of operations
- Issue timely financial reports that comply with generally accepted accounting principles, the additional requirements of the Tennessee Comptroller of the Treasury, and federal grant requirements

Compliance Objectives –

- Comply with all relevant laws, regulations, contracts, and grant agreements

4. Management should identify, analyze, and respond to significant changes that could impact the internal control system. This includes identifying risks during the planning process for all new grant programs, projects, and activities. Then, review the controls to determine what changes need to be made to ensure that objectives are met.

The City's *Management identifies, analyzes, and responds to significant changes that could impact the internal control system as follows:*

- Creating and updating City policies and procedures.
- Awareness of accounting standards changes.
- Awareness of state law or regulation changes.
- Awareness of federal law or regulation changes.
- Management reviews all new grant applications and agreements.
- Management reviews all new contracts.
- Management reviews all debt issuance documents.
- The City has implemented a debt capacity model in assessing the issuance of debt.
- Management will, at least annually, consider technological developments, employee turnover, new programs, new accounting standards, new laws and regulations, and economic growth or decline to determine whether or not changes in internal controls need to be implemented. Recommendations for changes will be reviewed and implemented as necessary. The implementation will include training for all personnel involved in the processes that require change.

COMPONENT 3

CONTROL ACTIVITIES

GAO Green Book Principles 10 through 12

Control Activities are the actions management establishes through internal control policies and procedures to achieve objectives and manage risks. There are three (3) principles related to control activities.

1. ***Management should design control activities to achieve objectives and respond to risks.*** This includes:

   Developing and periodically reviewing and updating a procedures manual that documents:

   - The specific actions designed to address entity objectives and risks. These have been identified during the process of defining responsibilities, delegating authority, and assessing risks.
   - The specific actions designed to address entity objectives and risk at various levels in the organization
   - The division (i.e. segregation) of duties and/or implementing compensating controls designed to mitigate risks related to assigning duties and responsibilities among employees

   The City's Management has designed control activities to achieve objectives and respond to risks.

   - The City has identified objectives, risks, and relevant policies and procedures for activities shown in Appendix F.

2. ***Management should design the entity's computerized information system and related control activities to achieve objectives and respond to risks.*** This includes:

   Develop and periodically review and update guidelines for information technology documenting:

   - The types of computerized information required to be compiled to meet the government's objectives
   - The computer application controls necessary to ensure that information is valid, complete, and accurate
   - The general computer controls addressing security management procedures,

contingency plans, configuration, logical and physical access

- Information technology infrastructure needs and the controls needed to ensure that adequate resources are available to meet the reporting needs (e.g. storage capacity)
- The external and internal security risks and the controls necessary to limit exposure to unauthorized access, corruption of data, or other misappropriation of information (e.g. personally identifiable information)
- Controls necessary to ensure that technology acquisition, development and maintenance activities are authorized, necessary, and properly integrated throughout the organization

The City's Management designed the entity's computerized information system and related control activities to achieve objectives and respond to risks.

- The City strives to improve the quality and level of services by upgrading information systems, including time and attendance, receipting, and utility billing. The IT director and assistant director review any reporting requirements or changes to programs that might impact the software and hardware maintenance schedule
- Assess and prioritize enhancements to meet any changes or additional needs in reporting requirements
- Assess the adequacy of general computer processes and controls

3. ***Management should implement control activities through policies.*** This includes:
Management will develop and periodically review and update a policies manual that documents:

- The overall general policies for the local entity that address the broad expectations (objectives and related risks, control activity design, implementation and operating effectiveness) of management and the responsibilities for each unit (office, division, department or other organizational segment) of the local entity
- Management's plan for monitoring departmental policies, procedures, and control activities developed by each unit to implement the general policies
- The means by which policies, procedures and control activities will be communicated to staff
- Management will ensure that each unit document policies, day-to-day procedures, and control activities to implement management's policies

The City's Management has implemented control activities through policies as follows:

- In addition to complying with federal and state laws and regulations, the City has adopted financial policies for investments, debt, fund balance reserves, pension funding, and cash receipting,
- The City periodically updates its Human Resources Manual.
- The Finance Department annually reviews financial policies for possible updating.

COMPONENT 4

INFORMATION AND COMMUNICATION

GAO Green Book Principles 13 through 15

Management is responsible for developing and providing internal and external information. This information supports the internal control system and validates its existence. There are three (3) principles related to information and communication.

1. ***Management should use quality information to achieve the entity's objectives.*** This includes:

   Management should, on a regular basis:

   - 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

The City's Management uses quality information to achieve the entity's objectives.

- The City has a standardized format for information to be presented to the Board.
- The City Administrator, Assistant City Administrators, and Law Department review information being presented to the City's Board.
- Financial information needed from departments including receivables, inventory, donated assets, etc. is accumulated each quarter. It is reviewed by the Finance Department for accuracy.

- Financial information is obtained from outside entities such as Transit and non-profit agencies and reviewed by the Finance Department.
- Financial statements and budget amendments are reviewed by the City's Chief Financial Officer and City Administrator prior to release.

2. Management should internally communicate the necessary quality information to achieve the entity's objectives. This includes:

- Management clearly defines the lines of communication through policy manuals and organization 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 confidentially and relevance to job responsibilities
- The appropriate information delivery system has been determined (e.g. email, written memo, staff meetings, etc.) for changes and updates
- Reports containing personally identifiable information or other protected or confidential information will be made available through communication methods that restrict internal and external access
- Annual staff training meetings and new employee orientation, with relevant handouts and manuals, will be used to reinforce memo, email, intranet, and restricted communications

The City's Management internally communicates the necessary quality information to achieve the entity's objectives.

- The City's Board and the City Administrator communicate regularly about agenda items. The City's Management communicates with the Board and departments on upcoming changes in federal and state requirements.
- The City Administrator communicates regularly with other members of City Management in scheduled weekly meetings.
- City's Management has regular meetings on projects and information technology.

3. ***Management should externally communicate the necessary quality information to achieve the entity's objectives.*** This includes:

Management should develop policies and procedures for:

- Communicating with external parties, including.
  - Auditors
  - Federal grant agencies,

  - SEC through the Electronic Municipal Market Access system (EMMA)
  - Bond rating companies, prospective bond purchasers, and underwriters
  - Vendors and contractors
  - Insurance companies
  - Law enforcement officials
  - News media
  - Individuals or public interest groups based on public information requests
  - Evaluating the reliability of information provided to and received from external parties
  - Ensuring that only authorized individuals provide information to external parties
  - Ensuring that restricted information is provided only to authorized external parties
  - Redacting of information when requested under the open records statutes

In summary, it is vitally important that information communicated to outside parties be accurate. This involves many different layers of internal controls including the control environment, the risk assessment process, and control activities. Before information is released to an outside party, management should be confident based on its internal policies and procedures, the information is accurate. The credibility of the entity, its governing body, and public officials is at stake whenever information is released to outside parties.

The City's Management externally communicates the necessary quality information to achieve the entity's objectives as follows:

- Management has identified specific departments and individuals in the organization to be responsible for external communications. For example, the Chief Financial Officer and Comptroller communicate with the auditors and ensure continuing debt disclosure.

COMPONENT 5

MONITORING

GAO Green Book Principles 16 and 17

Things change - the Operating Environment, Laws, Accounting Principles, Technology, Resources, and People, etc. For this reason, internal control policies and procedures must constantly be monitored and improved or updated. There are two (2) principles related to monitoring.

1. ***Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*** This includes:

   Management should:

- 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

The City's Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.

- The City's Chief Financial Officer and City's Comptroller, review the financial reports and expenditures to ensure that they comply with those requirements. A review of all relevant compliance issues would include, but not be limited to:

    - federal and state grant requirements
    - internal revenue service requirements
    - budgeting and expenditures requirements
    - financial reporting requirements
    - state and federal laws and regulations
    - debt issues

- The City's Comptroller periodically reviews
    - the cash receipts journal, cash disbursements journal, general ledger, and subsidiary ledgers to ensure that they are in balance
    - bank statements and the related reconciliations to determine that they are accurate and all activity is authorized and properly recorded, and
    - journal entries to determine that they are appropriate.
- The City's Assistant City Recorder/Records periodically reviews:
    - The minutes of actions taken by the governing body to determine that they are kept together and are complete and that actions taken are implemented and/or being accounted for as applicable and
    - Codified ordinances to ensure that they are up-to-date.
- The City's IT Director periodically reviews relevant computer programs to determine whether they need to be updated, upgraded or modified.
- The City's Budget and Finance Committee serves as the City's audit committee. The audit committee reviews financial reporting practices, internal control, compliance with laws, regulations, contracts and grant agreements, and ethics.

2. ***Management should remediate identified internal control deficiencies on a timely basis.*** This includes:

Management should:

- Adopt policies regarding ongoing monitoring processes and the method and timing of reporting issues and deficiencies to a designated individual
- Document the evaluation of issues noted during ongoing and periodic monitoring
- Propose a corrective action plan and implement the corrective action on a timely basis

The City's Management remediates identified internal control deficiencies on a timely basis as follows:

- A good internal control structure will only provide reasonable assurance that unlawful conduct does not occur or is detected on a timely basis. Though it is common to assume "it will never happen to us" it can happen. In fact, monitoring may be the means by which some unlawful conduct or fraud is detected. Unlawful conduct or fraud may be discovered because of tips from other employees, as a result of internal or external audits, because of internal control that has been established, and even by accident. Regardless of the method of discovery, the amount of money involved, or the frequency of occurrence, all discoveries are be reported in writing to the Comptroller. Unlawful conduct or fraud must be reported whether money is repaid and/or whether the employee is terminated. Simply because you do not believe that the person could ever have participated in unlawful activities or fraud or believe that they will not participate again, is not a basis for failing to report what has been discovered.

- Reporting when a public official believes unlawful conduct has occurred:
  Tennessee Code Annotated, Section 8-4-501, defines unlawful conduct as "…theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property, or services." *Tennessee Code Annotated*, Section 8-4-503 states:

  A public official with knowledge based upon available information that reasonably causes the public official to believe that a theft, forgery, credit card fraud, or any other act of unlawful taking of public money, property, or services has occurred shall report the information in a reasonable amount of time [i.e., five (5) working days] to the office of the comptroller of the treasury.

  The form for reporting can be found on the web at:

  http://www.tn.gov/comptroller/ca/fraudreport.htm

Appendix A: Section 9-18-102

Title 9 Public Finances
Chapter 18 Financial Integrity Act of 1983

Tenn. Code Ann. § 9-18-102 (2015)

First of 2 versions of this section

9-18-102. Internal controls -- Management assessment of risk. [Effective until June 30, 2016. See the version effective on June 30, 2016.]

(a) Each agency of state government and institution of higher education shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and

(3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

(1) Accountability for meeting program objectives;

(2) Promoting operational efficiency and effectiveness;

(3) Improving reliability of financial statements;

(4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and

(5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

TENNESSEE CODE ANNOTATED

*** Current through the 2015 Regular Session ***

Title 9 Public Finances
Chapter 18 Financial Integrity Act of 1983

Tenn. Code Ann. § 9-18-102 (2015)

Second of 2 versions of this section

9-18-102. Internal controls -- Management assessment of risk. [Effective on June 30, 2016. See the version effective until June 30, 2016.]

(a) Each agency of state government and institution of higher education along with each county, municipal, and metropolitan government shall establish and maintain internal controls, which shall provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

(b) To document compliance with the requirements set forth in subsection (a), each agency of state government and institution of higher education shall annually perform a management assessment of risk. The internal controls discussed in subsection (a) should be incorporated into this assessment. The objectives of the annual risk assessment are to provide reasonable assurance of the following:

(1) Accountability for meeting program objectives;

(2) Promoting operational efficiency and effectiveness;

(3) Improving reliability of financial statements;

(4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and

(5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

Appendix B: OMB Internal Control Guidance.

GAO

What is the Green Book?

Important facts and concepts related to the Green Book and internal control

RELATED TO GAO-14-704G

What is internal control?

Internal control is a process that helps an entity achieve its objectives. It is the first line of defense in safeguarding public resources.

Objective identified → Controls designed → Controls in place → Objective achieved

Standards for Internal Control in the Federal Government, known as the Green Book, is the document that sets internal control standards for federal entities.

How does internal control work?

Internal control helps an entity

- Run its operations efficiently and effectively
- Report reliable information about its operations
- Comply with applicable laws and regulations

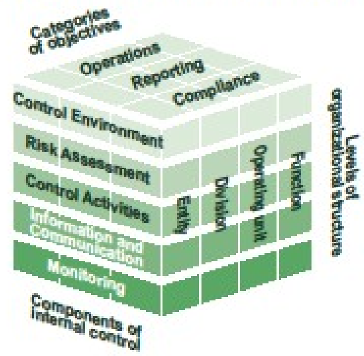
Who would use the Green Book?

Here are some of the people who use it

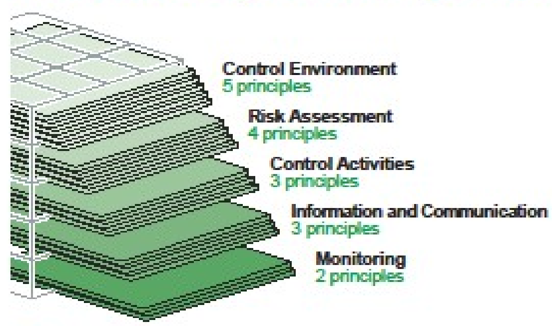
- Someone who manages programs for federal, state, or local government
- Someone conducting a performance audit or a financial audit
- Someone responsible for making sure that personnel follow policies and procedures related to any and all job responsibilities

How is internal control organized?

Standards for Internal Control in the Federal Government (the Green Book) is organized by the five components of internal control, and apply to staff at all organizational levels and to an entity's operations, reporting, and compliance objectives.



What makes up the 5 components?



Principles

Each of the five components contains several principles. Principles are the requirements of each component.

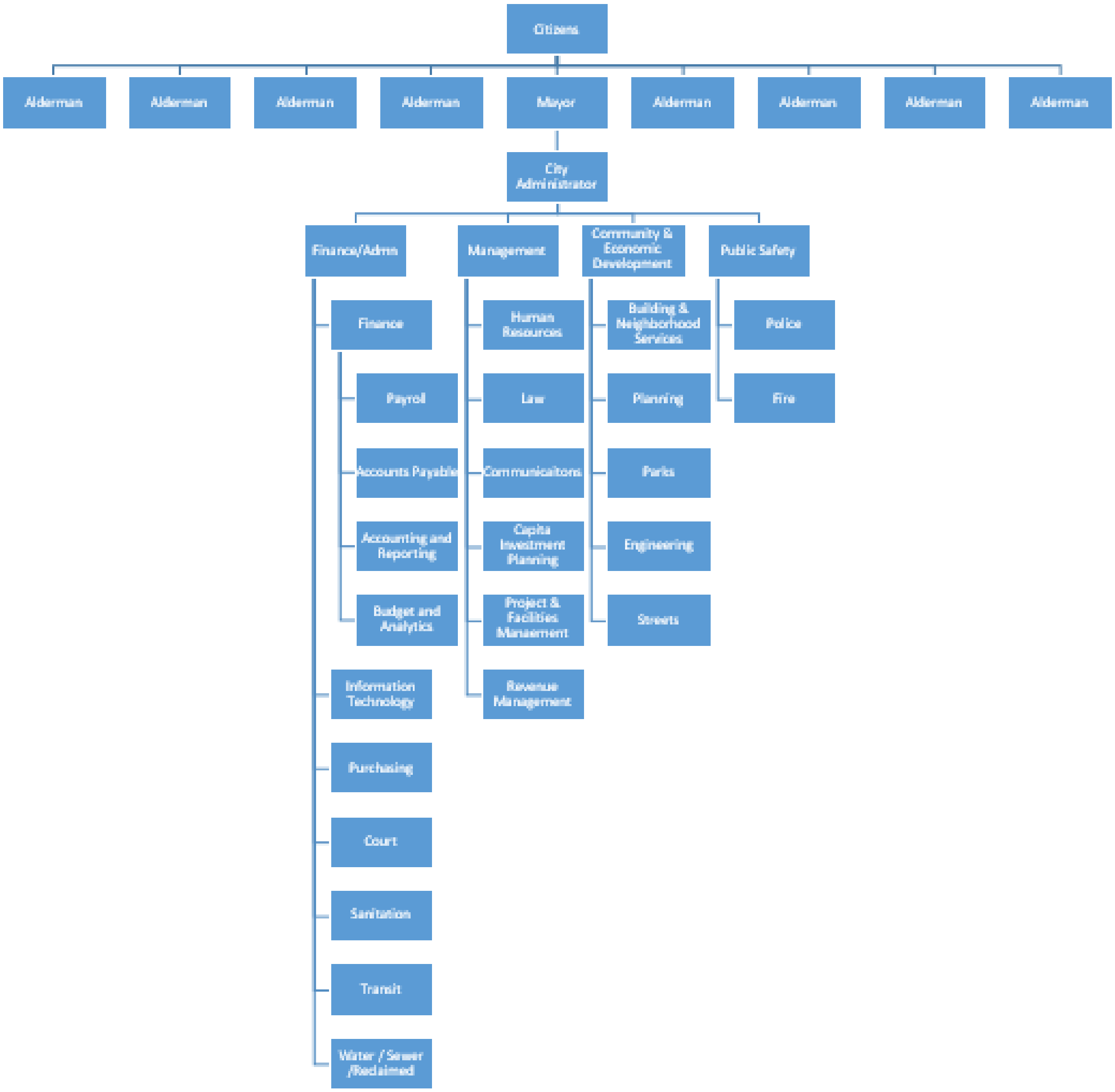
Attributes

Each principle has important characteristics, called attributes, which explain principles in greater detail.

LOOKING FOR MORE INFORMATION? Visit GAO.GOV/GREENBOOK. Read the full report: GAO-14-704G.

GAO

Appendix C: City of Franklin Organization Chart



Appendix D: City of Franklin Insurance Coverages

Coverage	Coverage Limits		Deductible	FY 2016 Cost
Property				$234,831
Buildings and contents	$221,729,542	Blanket		
Business Interruption/Extra Expense	$8,000,000	Limit		
Flood Coverage	$5,000,000	Limit	$25,000	
Earthquake Coverage	$5,000,000	Limit	$50,000	
Governmental Crime	$500,000	Occurrence	$1,000	
Inland Marine & Mobile Equipment	$500,000	Occurrence	$1,000	$88,013
	$6,000,000	Aggregate		
General & Professional Liability				$442,234
Bodily Injury/Property Damage	$1,000,000	Occurrence		
General Aggregate	$2,000,000	Aggregate		
Products-Completed Operations	$2,000,000	Aggregate		
Personal and Advertising Injury Limit	$1,000,000	Aggregate		
Each Occurrent Limit	$1,000,000	Aggregate		
Employee Benefits Limit	$3,000,000	Aggregate		
Law Enforcement Liability	$2,000,000	Aggregate		
Public Entity Management Liability	$2,000,000	Aggregate		
Related Practices Liability	$2,000,000	Aggregate		
Automobile Liability & Physical Damage	$1,000,000	Aggregate	$25,000	$258,397
Umbrella	$9,000,000	Aggregate		$49,904
Cyber Liability	$500,000	Aggregate	$25,000	$3,830
Workers Compensation	$1,000,000	Statutory Limit		$367,774
				$1,444,983

Appendix E: Internal Control Risk Assessment

INTERNAL CONTROL RISK ASSESSMENT
As of March 31, 2016

ACTIVITY 1: ADMINISTRATION AND RECORDS

General Administration

1. Is there an organization chart that clearly defines lines of authority and responsibility for the City?
   Yes

2. If not, are such lines clearly established and understood by all employees?
   Yes

3. Are all transactions of major importance approved in minutes of the governing body?
   Yes

4. Are all minutes of the governing body (in final form) in the permanent records of the governmental unit and properly signed?
   Yes

5. Do the minutes adequately reflect the action of the governing body?
   Yes

6. Are they clear as to intent and substance?
   Yes

Charter, Municipal Code, and Ordinance

1. What kind of charter does the city have?
   a. General law mayor aldermanic?
   b. General law manager-commission?
   c. General law modified council-manager?
   d. Private act? (Private Acts, chapter)
   e. Home rule?
   f. Metro?

   Although incorporated in 1799, Priv. Acts 1967, Ch. 126, is the current basic charter act for the City of Franklin, Tennessee.

2. If you have a private act or home rule charter, does the City have a current charter compilation that includes all the amendments to the charter?

Yes

3. Is the charter readily available and accessible to city officers, employees and the public?
   Yes

4. If you have a private act or home rule charter, is the charter reviewed on a frequent regular schedule for the purpose of removing obsolete provisions and inserting needed provisions?
   Yes

5. Is the charter clear and unambiguous relative to:
   a. Elections of officers?
      Yes

   b. Filling of vacancies in elective office?
      Yes

   c. Quorum and voting requirements on ordinances, resolutions and motions?
      Yes

   d. Which city personnel are officers and which are employees?
      Yes

   e. The relative powers and duties of the mayor (or city manager) and the board or commission?
      Yes

   f. Salary and/or other compensation of officers?
      Yes

   g. Recall or method of removal, if any, of officers?
      Yes

   h. The property rights, if any, of employees in their jobs?
      Yes

   i. The procedural "hoops," if any, for the discipline, including termination, of employees?
      Yes

   j. The due and delinquency dates for property taxes?
      Yes

   k. The procedure for the collection of property taxes?
      City has contracted with Williamson County to collect.

6. Does the City have a current municipal code?
   Yes

7. Was the municipal code properly adopted?
Yes

8. Is the municipal code readily available to city officials, employees and the public?
Yes

9. Is the municipal code reviewed on a frequent, regular basis for the purpose of removing obsolete provisions and inserting needed ones?
Yes

10. Is a certain officer or employee assigned the definite responsibility of insuring that ordinance adoption procedures are rigorously followed?
Yes

11. Is a certain officer or employee assigned the responsibility of preserving a record of such ordinances?
Yes

12. Is that person, if any, thoroughly familiar with ordinance adoption procedures?
Yes

13. Is there a definite prescribed place in the City's offices for the City's ordinances to be kept?
Yes

14. Are ordinances filed and preserved by some systematic method, such as by number, date, subject, etc.?
Yes

Municipal Records in General

1. Does the City have a definite prescribed place in City offices for the City's records to be filed and preserved?
Yes

2. Is a certain officer or employee assigned the definite responsibility for City records filing and preservation?
Yes

3. Does the City have a systematic filing system that is understandable to City officers, employees and the public?
Yes

4. Are the City's records easily and readily accessible to City officers, employees, and the public?
   Yes

5. Is the person responsible for records filing and preservation familiar with, and does he or she, follow the Open Records Law?
   Yes

Municipal Meetings

1. Are regular meetings of the City governing body held at the times and places prescribed by the City charter, code or ordinances?
   Yes

2. Are special meetings called and held in accordance with the City charter?
   Yes

3. Is adequate notice of both regular and special meetings given to the public?
   Yes

4. Is the person who is responsible for general supervision of the City familiar with the Open Meetings Law?
   Yes

5. Are minutes clearly reflecting the votes and other important actions of the governing body?
   Yes

Insurance

1. Does the city purchase insurance?
   Yes
2. Does the city understand the coverage conditions, definitions, and exclusions?
   Yes
3. Does the city track losses, whether they are covered by insurance or not?
   Yes
4. Does the city review and record all deductibles as they occur?
   Yes
5. Does the city monitor the associate risk management costs?
   Yes
6. Does the city investigate losses and develop loss control plans?
   Yes

ACTIVITY 2: HUMAN RESOURCES AND PAYROLL

City Personnel

1. Are City employees responsible for handling money bonded in a sufficient amount?
   Yes

2. Are vacation and sick leave policies definite and certain?
   Yes

3. If employees retire, quit, or are terminated, is it clear whether or not they are entitled to pay for unused vacation and sick leave?
   Yes

4. Does the City have written personnel regulations and policies?
   Yes

5. Whether or not the City has written personnel regulations, is the chain of command well-understood by both City officials and employees?
   Yes

6. Is it clear in such policies to which classes of employees and/or officers they apply?
   Yes

7. Do such personnel policies conform to the City charter?
   Yes

8. Are such policies followed with respect to all employees and officers to which the policies apply?
   Yes

9. Is the person responsible for personnel administration generally well-versed in the:
   a. Fair Labor Standards Act?
      Yes

   i. General City employees?
      Yes

   ii. Fire and police employees?
      Yes

   b. Americans with Disabilities Act?
      Yes

   c. State and federal laws governing employment discrimination?

Yes

10. Does the City impose limitations upon the political activities of its employees?
Yes

11. Do such limitations with respect to police officers and firemen apply only to on-duty activities?
Yes

ACTIVITY 3: ACCOUNTING AND FINANCIAL REPORTING

Financial Matters

1. Are financial records maintained in sufficient detail to adequately describe the operations of the municipality?
Yes

2. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

Financial Reporting

1. Does the board receive monthly financial reports?
The Finance Committee receives quarterly financial reports. Monthly reports are issued upon request.

2. Are the reports explained to the board?
Yes

3. Does the finance officer reconcile the bank accounts monthly?
Yes

4. Is the board notified when cash is running dangerously low?
Yes

ACTIVITY 4: FISCAL YEAR END CLOSING

1. Are personnel aware of the 60-day closing requirement for 2016?
Yes

2. Does the City keep its accounting records current within 60 days after each month-

end?
Yes

ACTIVITY 5: AUDIT

1. Does the City acquire audit services through an RFP process?
Yes

2. Does the City enter the audit contract approval in the CARS system?
Yes

ACTIVITY 6: CASH ON HAND

1. Are cash on hand accounts reconciled daily to the amount of monies on hand?
Tracked by departments daily. Monthly by Finance.

2. Does the municipality use petty cash funds?
Yes

3. Are actual receipts required and retained for reimbursements of petty cash monies?
Yes

4. Is the person receiving reimbursement required to sign a receipt?
Yes
5. Is all cash maintained on hand and collections not yet deposited kept in secure locations?
Yes

ACTIVITY 7: CASH IN BANK

Reconciliation of Accounts
1. Are bank accounts reconciled to the general ledger on a monthly basis?
Yes

2. Is this reconciliation performed by someone who isn't involved with making deposits or writing checks?
Yes

3. Are reconciling items noted in the bank account reconciliation addressed and remedied within 2 monthly cycles?

Yes Outstanding checks (with 90 day expiration date) may require 3 monthly cycles.

6. Has the municipality ensured that all accounts are appropriately collateralized with the financial institutions?
   Yes

7. Has the municipality ensured that all accounts in banks collateralizing with the State Collateral Pool have classified the city's accounts as "public" in the banks records.
   Yes

8. Are all persons handling cash and other assets bonded?
   Yes

9. Have all bank accounts been approved by the city council?
   Yes

ACTIVITY 8: INVESTMENTS

Investments

1. Who has access to the city's investments?
   Investment Trustee

2. Are all bank accounts and investments maintained in the city's name?
   Yes

3. Do withdrawals or liquidations of city investments require two signatures?
   Yes

ACTIVITY 9: RECEIPTING

Collections/ACHs – General Controls

1. Are pre-numbered receipts issued for each collection at the time the funds are received?
   Yes

2. What types of payment are accepted? Cash, Checks, Money Orders, Credit Cards?
   Cash, Checks, Money Orders, Debit/Credit Cards

3. Do the receipts note an appropriate revenue source or revenue account from the chart of accounts?
   Yes

4. Are checks received restrictively endorsed (stamped “For Deposit Only”) immediately upon receipt?
   Yes

5. Are all receipts accounted for including voided receipts?
   Yes

6. Are collections deposited in 3 working days from the time they were received?
   Yes

7. Is the deposit made in the same amounts as it was collected (intact with the same amount of cash vs checks as collected)?
   Yes

8. Are duties properly segregated in the following areas:
   b. Collecting
   c. Depositing
   j. Recording
   Yes

9. Does someone other than the cashier make deposits?
   Yes

10. Are actual deposits checked against records by someone other than cashier or depositor?
    Yes

11. Are proper controls in place to prohibit cashing any checks payable to the municipality?
    Yes

12. Are proper controls in place to prohibit employees cashing checks in the office?
    Yes

13. Are checks identified on the deposit slip by maker and amount?
    Yes

14. Are state funds deposited directly to the municipal’s bank accounts by ACH?
    Yes

15. Is the receiving function centralized to the maximum extent possible?
    Receiving is performed by a few select department. Deposits are made by one department, Revenue Management.

16. Is there a reconciliation between the daily check out reports and the deposits made by someone independent of the process?
    Yes

17. Do all transfers between bank accounts require the approval of a second person?

Yes

18. Are licenses and permits pre-numbered and properly accounted for?
    Yes

19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
    None identified.

Collections/ACHs – Utility Billings and Collections

1. Are pre-numbered receipts issued for each collection at the time the funds are received?
   Yes

2. Is the utility system of billing and collections integrated with the city general ledger operations?
   No

3. If not, how does the city ensure that all collections made are entered into the city's general ledger system? This is particularly critical if pre-numbered receipts are not issued in sequential order for #1 above.
   Posting to general ledger does not occur until verified with data from utility billing system

4. Are rates set to cover the full cost of the services provided, including depreciation?
   Yes

5. Are the utility operations in sound financial condition?
   Yes

6. Does the city provide any free utility services?
   No

7. Are appropriate late charges collected?
   Yes

8. Does the city require separate meters for each customer?
   Yes

9. Does the city have strict cut-off policies in place and in writing that are acted upon?
   Yes

10. Does someone reconcile the utility accounts receivable control account in the general ledger system with the utility accounts receivable subsidiary ledger?
    Yes

11. Does the finance department have a write-off policy in place for the removal of receivables from the financial records?

Yes

12. When adjustments to accounts are required, are they approved by the governing body or their designee? *Person collecting payment or creating bills should be prohibited from adjusting bills without a second approval.*
    Yes

13. Does the municipality charge a deposit or non-refundable fee to turn utilities on for new customers?
    Yes

14. Who receives and records deposits for services?
    Cashiers in Revenue Management

15. Who opens the mail with customer payments?
    Pinnacle Bank's lockbox services (not opened by City personnel)

16. Who serves as the back-up if the person referred to in #15 above is not available?
    Not applicable

17. Does someone create a mail log of all collections through the mail or drop box?
    Not applicable

18. Are duties properly segregated in the following areas:
    a. Collecting
    b. Billing
    c. Receivables
    Yes

19. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
    None identified

<u>Collections/ACHs – State Shared Revenues</u>

1. Has your city considered conducting a census?
   Yes

2. Does/Should your city receive any corporate excise tax if any banks or related entities are located within your corporate boundaries?
   Yes

3. Is your city entitled to a mixed drink or alcoholic beverage tax?
   Yes

4. Is mixed drink tax being remitted to the school system if required by law?

Yes

5. Does your city operate a city school system?
No

6. If so, are all local school taxes shared as required by law?
Not applicable

7. Are state street aid monies being transferred to the fund in a timely manner?
Deposited directly to City's Street Aid Fund

8. Is a situs report requested from the Department of Revenue at least annually?
Yes

9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

ACTIVITY 10: PURCHASING

1. Does the City have a purchasing policy?
Yes, for City procurements not pertaining to the design and/or construction of new infrastructure and facilities.

2. Does the City have a purchasing card policy?
Yes, a provision of the City's purchasing policy addresses the City's purchasing card program.

ACTIVITY 11: DISBURSEMENTS

<u>Disbursements/Drafts</u>

1. Are pre-numbered checks issued for all disbursements?
Yes

2. Are all voided checks accounted for and properly defaced?

Yes

3. Is the practice of signing blank checks prohibited?
   Yes

4. Is the supply of unused checks safely stored to protect against unauthorized use?
   Yes

5. Do all checks require two signatures?
   Yes

6. Do drafts posted to bank accounts require two signatures as well?
   Yes

7. Does the office use signature stamps or electronic signors?
   Electronic signors

8. If so, is access restricted to these items?
   Yes

9. Is the practice of making checks payable to "CASH" prohibited?
   Yes

10. Are invoices approved for payment by someone other than the check preparer prior to processing payments?
    Yes

11. Are transfers between funds approved by the city council?
    Yes

12. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of disbursements?
    None identified

ACTIVITY 12: EMPLOYEE TRAVEL AND REIMBURSEMENTS

1. Does the City have written policies governing the use of City vehicles by City employees?
   Yes

2. Does the City have a travel expense reimbursement policy for employees and officials?
   Yes

ACTIVITY 13: CAPITAL ASSETS AND INVENTORY

Safeguarding Capital Assets/Inventory

1. Is all seized property, including cash, inventoried and kept in a secure location?
   Yes

2. Has someone been assigned the responsibility of accounting for the various inventories of the municipality?
   Yes

3. Are detailed inventory records maintained?
   Yes

4. Is a physical inventory conducted annually?
   Yes

5. Do the inventory records include property and equipment of a sensitive nature in addition to capital assets?
   Yes

6. Are proper safeguards in place to prevent theft or loss of assets?
   Yes

7. Are sales of surplus property in accordance with state law?
   Yes

8. Does the city have procedures in place for disposing of property in compliance with state law?
   Yes

9. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment of Assets?
   None identified

ACTIVITY 14: DEBT

Obligations/Debt Management

1. Is adequate planning performed and projections made to ensure incurring debt is necessary and affordable for the municipality?
   Yes

2. Has the governing board approved debt issues and is that approval documented in the minutes?
Yes

3. Is the municipality in compliance with debt covenants, if any?
Yes

4. Are efforts made to obtain the best borrowing rates on debt?
Yes

5. Are checks and balances in place to ensure bond and note proceeds are used for their intended purpose?
Yes

6. Are adequate reserves maintained to make principal and interest payments on debt?
Yes

7. Does the municipality make debt payments on time?
Yes

8. Has the municipality been at financial risk for not making principal and interest payments?
No

9. Are interfund loans pre-approved by the State Comptroller's Office?
Not applicable

10. Were repayment plans of interfund loans established?
Not applicable

11. Were all debt issuances made in compliance with state law?
Yes

12. Do the minutes of the governing body reflect adequate information on bond issues?
Yes

13. Are separate bank accounts and accounting records maintained for each bond issue if required by the bond resolution?
Yes

14. Are the investment and disbursement practices for bond issues in compliance with arbitrage laws and/or regulations?
Yes

15. Did the city receive prior approval from the Director of State and Local Finance before the issuance of notes?
Yes

16. Does the city maintain a master list of debt payment requirements by month and fiscal year the payments are due?
Yes

17. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

ACTIVITY 15: GRANTS

Grants Management

1. Has the municipality checked with state and federal agencies, development districts, and other sources, etc., to see what federal and state grants might be available?
Yes

2. Does the city make a practice of considering the matching costs as well as any long-term cost commitments that will be required when soliciting grant funds?
Yes

3. Does the city make a practice of considering the need for the service and calculating operating costs associated with the grants, including depreciation on utility facilities funded with grant monies?
Yes

4. What changes can be made or what compensating controls can be implemented to mitigate shortcomings noted through this assessment?
None identified

ACTIVITY 16: CONTRACTS

1. Does the City have construction-related contracts?
Yes
2. Does the City have non-construction-related contracts?
Yes

ACTIVITY 17: BUDGET

Budget

1. Does the City perform budget amendments prior to June 30 each year?
   Yes
2. Is budgetary information included in reports to the Board?
   Yes

ACTIVITY 18: INFORMATION SYSTEMS

1. Is the accounting system used by the municipality in compliance with minimum standards of the Comptroller's Office including: the use of fund accounting?
   Yes
2. The use of a double-entry system?
   Yes

Appendix F: Activities, Objectives, Risks, Policies, and Procedures

Activity 1: Administration and Records

Objective 1: Meet legal and organizational responsibilities

Objective 2: Transparency

Risks:

1. Incomplete or inadequate information is available or provided to users.
2. Records are discarded improperly or before all audit, contractual and legal retention limits are met

Policies:

1. TCA 8-44-101 Sunshine Law
2. TCA 8-44-102 Open Meetings
3. TCA 8-44-103 Notice of Public Meetings
4. TCA 8-44-104 Minutes Required
5. TCA 10-7-503 Records Open to Public Inspection
6. TCA 10-7-702 MTAS Records Retention Schedule
7. TCA 12-4-101 Conflict of Interest
8. TCA 39-14-130 Destruction of Valuable Papers with Intent to Defraud
9. TCA 39-16-504 Destruction of and Tampering with Governmental Records

Procedures:

1. Complete minutes of actions taken by the governing body are maintained in the City's Administration Department. The official minutes are signed and kept together in date order and is easily accessible. The minutes include the following:
   a. copies of all ordinances and resolutions adopted (including utility rates and cut-off policy, tax rates, permit fees, etc.)

   b. copies of the budget and any supplemental appropriations

   c. schedules of personnel appointments and salary rates and changes (In larger municipalities where such information may not be practicably included in the minutes, the minutes are include documentation of (1) all appointments and wage rates that must be set by the board; (2) across the board wage increases; and, (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases are be developed and maintained by the City. Wage and salary rates increases delegated by the board are be adequately documented in the personnel records.)

d. copies of bond and revenue anticipation resolutions

e. authorizations of loans and transfers between funds

f. notices of public hearings and resulting decisions

g. copies of federal and state grant applications (whether a final award was received or not)

h. summaries of action taken on competitive bids

i. copies of contracts entered into by officials. The City must obtain a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:

(1) contract labor and consultant agreements, including computer services, day labor, and similar work

(2) leases

(3) rentals

(4) management agreements

(5) mutual aid agreements

(6) franchise agreements

j. purchasing policy

k. expense reimbursement policy

2. The City's Assistant City Recorder/Records reviews legal requirements and retention guides published by Municipal Technical Advisory Service (MTAS) and the Comptroller's office, at least annually, to determine if there have been any changes with regard to records management requirements.

3. With department assistance, the City's Assistant City Administrator/Recorder prepares, at least annually, a detailed list of records that are ready for destruction. The list are be

reviewed by management and approved for destruction. The means of destruction, date, items destroyed, individuals involved, and approval are be adequately documented.

4. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations.

5. The City's Assistant City Administrator/Records reviews codified ordinances to ensure that they are up-to-date.

Activity 2: Human Resources and Payroll

Objective 1: **Ensure that the City is in compliance with applicable laws, regulations and policies and maintain adequate documentation of same**

Objective 2: **Ensure that sufficient qualified personnel are hired**

Objective 3: **Employee benefits are properly administered**

Objective 4: **Information is adequately communicated to employees**

Objective 5: **Ensure that all payroll disbursements are accurately recorded**

Objective 6: **Ensure that all payroll disbursements are authorized and proper**

Objective 7: **Information is adequately communicated to employees**

Risks:

1. Officials are unaware of legal requirements
2. Documentation is not maintained to demonstrate compliance

3. Records are discarded improperly or before all audit, contractual and legal retention limits are met
4. Employees are unable to perform basic required duties
5. Segregation of duties cannot be achieved
6. Group insurance is not adequately overseen resulting in excessive or additional costs
7. Employees are unaware of requirements or important changes
8. Controls do not prevent or detect errors, thefts, or abuse in a timely manner
9. Employees do not monitor expenditures to ensure that they are allowable resulting in loss, theft and/or penalties
10. Payroll reports for federal reporting are inaccurate resulting in penalties
11. Payroll amounts are improper
12. Compensation of officials is improper

Policies:

1. Federal Labor Standards Act (FLSA)
2. Americans with Disabilities Act
3. City of Franklin Human Resources Manual

Procedures:

1. Minutes of actions taken by the Board include schedules of personnel appointments and salary rates and changes (In larger municipalities where such information may not be practicably included in the minutes, the minutes are include documentation of (1) all appointments and wage rates that must be set by the board; (2) across the board wage increases; and, (3) the amount of funds allocated to departments to be allocated to employees by the department heads or other designated individual(s). Adequate policies governing authorization of pay increases are be developed and maintained by the City. Wage and salary rates increases delegated by the board are be adequately documented in the personnel records.)

.

2. The City ensures that qualified individuals are hired and that appropriate training is provided.

3. The City ensures that prospective employees prepare an employee application form listing the applicant's experience, job qualifications, and references.

4. Current information is maintained for each employee. The information, whether maintained in a paper or electronic format, are include the following:
   a. name
   b. mailing address
   c. telephone number

d. social security number

e. number of exemptions claimed (from W-4 or W-4E)

f. marital status and spouse's name, if applicable

g. date of birth

h. authorized rate of pay (referenced to the statutory and budgetary authorization)

5. A cumulative employee leave record is maintained for each employee including salaried employees who earn any kind of leave. The record are clearly show all leave of any type earned and taken for each pay period, all paid and unpaid absences, and the current leave balance.

6. Each newly hired employee files a current employment eligibility verification (Form I-9).

7. Adequate provision has been made for the administration of group insurance and other employee benefits.

8. The City ensures that employees are adequately trained and aware of all relevant compliance issues.

9. The City provides policies and procedures for updating files to include the most current requirements as employees become aware of changes.

10. In accordance with Sections 6-54-901 through 6-54-907, Tennessee Code Annotated, the Board has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office. The law requires that a written travel policy be enacted setting forth what expenses are reimbursable and how they are be reimbursed. Expenses for reimbursement must be reported on a standardized form in sufficient detail to determine allowability. In addition, adequate documentation must be required and maintained to support the expense report.

11. Precise maintenance and centralized control of payroll records is essential, even in the smallest City, because of social and labor legislation and the complex accounting and reporting problems involved.

12. Each employee has a current Internal Revenue Service Form W-4 withholding exemption certificate on file.

13. The City's separation of duties for payroll consists of the following:

Payroll	HR	Employee	Dept. Approver	Payroll Technician	Financial Manager	Financial Analyst	Financial Analyst	Admin Asst.
Enters Employee Data	X							
Employee Time Entries		X						
Employee Time Approvals			X					
Update Direct Deposit/W-4 changes				X				
Process Garnishments				X				
Prepares payroll file for processing				X				
Approves payroll file					X			
Generates Payroll Checks				X				
Initiates direct deposits				X				
ACH processing/Bank file				X	X			
Reviews and approves final payroll report					X			
Provide Reports to Administration & HR					X			
Process Payroll Tax Payments				X				
Approve Payroll Tax Deposit					X			
Process Payroll Vendor Payments				X				
Approve Payroll Vendor Deposit					X			
Posts Payroll to GL						X		
Reconciles Payroll Liability Accounts							X	
Scan Payroll Documents for Records Retention								X

Activity 3: Accounting and Financial Reporting

Objective 1: Prepare accurate and timely internal reports necessary to meet legal and organizational responsibilities

Objective 2: Prepare accurate and timely external reports necessary to meet legal and organizational responsibilities

Risks:

1. Incomplete or inadequate information is available or provided to users.

2. Records are discarded improperly or before all audit, contractual and legal retention limits are met
3. Annual report does not include all required statements, schedules, and disclosures

Policies:

1. TCA 6-56-401-408 Certified Municipal Finance Officer
2. TCA 9-2-102 Uniform Accounting System
3. TCA 54-4-204 Street Aid Fund
4. TCA 68-211-874 Sanitation Fund
5. TCA 53-11-415 Drug Fund
6. TCA 7-34-115 Water & Sewer Fund
7. TCA 7-36-401 Water & Sewer Authorized
8. TCA 68-221-1012 Unaccounted for Water
9. City of Franklin Fund Balance Policy

Procedures:

1. The City maintains a complete, self-balancing group of accounts for each fund. The City's accounting includes a general ledger, cash receipts journal, and cash disbursements journal for each fund, as well as subsidiary account records necessary to comply with legal provisions and generally accepted accounting principles and to present the financial position and changes in financial position.

2. The accounting records maintained by the City are consistent with the financial reporting of the City. That is, if the City reports a fund, the accounting records must include a separate fund in which activity is posted throughout the year. Likewise, if the accounting records include a fund in which activity is posted throughout the year, the financial report reflects that fund.

3. Subsidiary ledgers, such as utility accounts receivable listings, are used to maintain individual account transaction details to support the total in the general ledger control (summary) account.

4. The City issues a financial report that conforms to the requirements of the Governmental Accounting Standards Board (GASB) related to a comprehensive annual financial report (CAFR). However, audit reports for municipalities shall, at a minimum, conform to the general report outline as shown below and include the following supplemental information. The schedules required are significantly less than what would be required in a CAFR. Additional requirements and/or clarifications regarding the financial statements and required schedules are identified below.

5. Although GASB permits budgetary information for the general fund and each major special revenue fund to be included as Required Supplementary Information or as basic financial statements, the Comptroller's office requires detailed legally adopted budgetary information for the general fund and each major special revenue fund to be included in the basic financial statements. The auditor's opinion are cover this information. Budgetary information for other major funds would be included in supplemental information.

6. In addition to revenues being presented by source (e.g., taxes, intergovernmental revenues, licenses and permits, fines and forfeitures, etc.) as required by generally accepted accounting principles, taxes and intergovernmental revenues are be further detailed by specific source (e.g., property tax, TVA-in lieu of tax, beer tax, gasoline and motor fuel tax, etc.).

7. In addition to being classified by function (or program) and character (e.g., current, capital outlay, debt service and intergovernmental expenditures) as required by generally accepted accounting principles, expenditures are be further detailed by object classes. The detail presented for expenditures must be sufficient to exhibit legal and budgetary requirements (e.g., detail of state street aid fund expenditures: paving, street lighting, mowing, debt service, etc.).

8. The additional detail of revenues by specific source and expenditures by object classes are be either in the financial and/or budgetary statements or schedules of the major and nonmajor funds or, as additional supplemental schedules. Excessively detailed object classifications for expenditures are be avoided.

9. General Report Outline
   a. Introductory Section
      i. Table of Contents
      ii. Letter of Transmittal
      iii. Roster of Board Members
      iv. Roster of Management Officials
   b. Financial Section
      i. Management's Discussion and Analysis
      ii. Financial Statements including Notes to the Financial Statements
      iii. Required Supplementary Information (GASB)
      iv. Supplemental Information
      v. Schedule of Expenditures of Federal Awards and State Financial Assistance
   c. Statistical Tables

10. Supplemental Information:
    a. Combining statements for nonmajor governmental and proprietary funds.

    b. Combining statements for internal service funds.

c. Combining statements for fiduciary funds (trust funds and agency funds).

d. Individual budgetary schedules for all governmental funds with annual appropriated budgets that were not included as basic financial statements. (The schedule are include three (3) columns, one for the original budgetary amounts, one for the final budgetary amounts, and one for actual expenditures. An additional column is recommended, though not required, to display variances.)

e. Fund information for discretely presented component units that do not issue a separate audit report.

11. Schedules.

(1) A Schedule of Expenditures of Federal Awards and State Financial Assistance. (This schedule is required if the organization has expended any subrecipient funds, regardless of the amount expended. For additional guidelines governing reporting on separate audits of departments, divisions or funds, please refer to the Topical Index on the Division of Municipal Audit's web site http://tn.gov/comptroller/ma/reference.htm

(2) The following schedules are required, if applicable, whether the City issues a CAFR or not (except as otherwise noted). Certain schedules may exceed GASB's minimum requirements; however, the information provided is used by other state departments.

(a) Schedule of Transfers (may be omitted if transfer disclosure in the notes to the financial statements is adequate, i.e., transfers disclosed by individual fund for all major and nonmajor funds).

(b) Schedule(s) of Long-Term Debt, Principal, and Interest Requirements (e.g., bonds, notes, and other long-term debt – by individual issue) by Fiscal Year – All Funds. Schedules are also be included for interfund and intrafund (i.e., between divisions within a utility fund) receivables and payables related to telecommunications, cable, etc.

(c) Uncollected Delinquent Taxes Filed in accordance with applicable laws

(d) Utility Rate Structure and Number of Customers

(e) Unaccounted for Water.

(f) Schedule of Changes in Property Taxes Receivable – By Levy Year (which are tie to the financial statements and may be omitted if a CAFR is issued)

(g) Property Tax Rates and Assessments – Last 10 Years

(h) Additional schedule(s), if necessary, of taxes and intergovernmental revenue by specific source and expenditures by object.

12. In accordance with Section 54-4-204, Tennessee Code Annotated, the City keeps all funds received from the state gasoline tax allocation in a separate fund designated as "State Street Aid Fund". (Although not utilized, the City has received approval from the Comptroller of the Treasury of the State of Tennessee to account for such funds in the general fund).

13. In accordance with Section 53-11-415, Tennessee Code Annotated, the City of Franklin maintains a special revenue fund (not necessarily a separate bank account) for drug funds.

14. In accordance with Section 68-211-874, Tennessee Code Annotated, the City of Franklin maintains a special revenue fund for its sanitation fund.

15. Municipal utilities are established, operated and reported in many ways. Regardless of these differences, there are certain accounting and reporting requirements which are consistent. Municipal utilities must be accounted for and reported in such a manner that: the accounting and reporting demonstrates compliance with the requirement to be self-supporting. If each utility is reported in a separate fund, the activities of the utility will be adequately segregated to demonstrate whether the utility is charging rates sufficient to cover all costs of operation. If there is a single utility board and each type of utility service is reported as a division of a fund rather than as individual funds, the basic financial statements must generally be accompanied by additional supplemental schedules. These schedules are present sufficient detail for each of the divisions so that the utility board can demonstrate that each division is self- supporting.

16. The accounting and reporting demonstrates compliance with bond requirements. If revenue bonds are issued, the revenue stream that may be used to secure the debt is generally an individual division.

17. All shared costs are equitably divided among each of the individual divisions or funds.

18. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations. A review of all relevant compliance issues would include financial reporting requirements.

19. The City ensures the City's Comptroller periodically reviews:
    a. the cash receipts journal, cash disbursements journal, general ledger, and subsidiary ledgers to ensure that they are in balance.
    b. bank statements and the related reconciliations to determine that they are accurate and all activity is authorized and properly recorded.

c. journal entries to determine that they are appropriate.

20. The Finance Department compiles, reviews and summarizes grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.

Activity 4: Fiscal Year End Closing

Objective 1: Timely closing of fiscal year end

Risks:

1. Cash and investments may not be recorded or valued properly.
2. Material year-end receivables/revenues may not be recorded.
3. Material year-end payables/expenses/expenditures may not be recorded.
4. Estimates such as allowance accounts may be inaccurate. What documentation exists to prove the estimate?
5. Capital asset and depreciation accounts may not include material additions and disposals to capital assets.
6. Material debt activity may not be recorded. Have debt proceeds been recorded gross or net of issuance costs?
7. Material payroll activity, including pension liabilities, deferrals, and expense, may not be recorded.
8. Net position may not be properly classified.
9. Significant difficulties (complex new accounting standards, litigation, etc.), delays (grants, construction conflicts, pension data not available, etc.) or problems (computer system problems, key personnel leave, etc.) may be encountered causing data to be unavailable or to otherwise impede closing the books.
10. Who is assigned to gather this information?
11. Who is assigned to review the posting of year-end entries and conversion of balances from modified accrual basis to full accrual basis?
12. Who is responsible for determining compliance with generally accepted accounting principles (GAAP)?
13. What prior-year audit adjustments were considered necessary by auditors?
14. Other related risks.

Policies:

1. TCA 9-2-102 Close Accounting Records Within 60 Days

Procedures:

1. At the beginning of every fiscal year, immediately following the closing of the prior- year books of account, the Finance Department, in coordination with all other departments, will:
   - Review the prior year closing process and identify any difficulties, weaknesses or additional risks that were encountered.
   - Review any matters identified with management to determine whether any changes are required and, if so, oversee the development and design of those changes.
   - Review any new accounting standards and any accounting standards that are being developed that may be issued that will impact the upcoming year end closing.
   - Consider the effects of new laws such as for new taxes.
   - Set a tentative timeline for the upcoming year-end closing.
   - Communicate the plan to all department heads for dissemination to employees whose work will be impacted by the plan.
   - Revisit the plan with all departments near the end of the year.

Activity 5: Audit

Objective 1: Ensure that annual audit is performed

Objective 2: Ensure that annual audit is performed timely

Risks:

1. Not in compliance with state requirements
2. Not in compliance with federal requirements
3. Not in compliance with debt requirements

Policies:

1. TCA 6-56-105 & 8-4-109 Audits Required
2. TCA 9-3-212 Duty to Order and Pay for Audits
3. TCA 9-3-405 Audit Committee
4. TCA 47-10-101-103 Electronic Audit Contract and Audit Report

Procedures:

1. The City ensures that a contract to audit accounts is executed before the end of the fiscal year, to accommodate a timely audit. To facilitate this, an individual are be assigned to either begin the contracting process or notify the board when it is time to begin the contracting process, generally at least 3 months prior to the end of the fiscal year. A sample copy of the contract can be found on the web at: http://tn.gov/comptroller/ma/contract.htm

2. The audit contract is expected to be executed through the Comptroller's Contract and Report System (CARS), which can be accessed on the web at: https://www.comptroller1.state.tn.us/RA_Upload/.

3. The City utilizes a request for proposal to evaluate independent audit firms. A sample request for proposal can be accessed on the web at: http://tn.gov/comptroller/ma/auditmanual.htm

4. The City performs year-end closing activities necessary to produce financial reports for audit purposes are be concluded as soon after the fiscal year end as is practicable.

5. The City's management takes responsibility for the annual financial report. Auditors for the City cannot maintain their independence under current standards if The City can't take responsibility for the annual financial report.

6. The annual financial report are be submitted through CARS by the audit firm in an electronic format. The format are be user friendly, which includes the use of bookmarks, internal document links, or other similar features.

Activity 6: Cash on Hand

Objective 1: Ensure that petty cash is secure and properly accounted for

Objective 2: Change funds are secure and properly accounted for

Risks:

1. Petty cash could be used for unauthorized purposes
2. Petty cash transactions are not properly recorded
3. Petty cash is not maintained at a fixed amount or is commingled with other receipts
4. Responsibility for petty cash is not clearly established

5. Change funds are not monitored resulting in loss of money, inappropriate use of money, excessive or inadequate cash on hand

Procedures:

1. The City ensures that petty cash accounts are authorized by the governing body and checks are written to the petty cash custodian to establish the petty cash fund. Each such “account” consists of an authorized, fixed sum of money set aside as an asset for the purpose of making miscellaneous purchases and making advances for emergency travel needs.

2. Petty cash disbursements are made only as needed and that an invoice/receipt accompanied by a petty cash voucher, prepared in ink, showing the items purchased, and signed by the person receiving the cash, is required in each case. The amount of cash on hand and petty cash vouchers and related invoices/receipts written must total to the originally authorized amount of the funds.

3. When the available cash has been reduced to an amount insufficient to meet routine requirements, a check is written to replenish the cash. The check, made payable to the petty cash custodian, are be delivered to the petty cash fund cashier to be cashed at the bank. The total amount reimbursed will be separated into amounts to be charged to each of the applicable expenditure accounts.

4. Someone other than the person responsible for handling the petty cash fund inspects, approves, dates, initials, and marks each voucher “PAID” to prevent reuse. The City are enforce the following restrictions:

   a. The petty cash fund are be maintained at the lowest amount possible and are be replenished only after the strictest scrutiny of all supporting documentation for the petty cash disbursements.

   b. Under no condition are the petty cash fund be commingled with personal funds of a city official or employee or used to cash personal checks or to make advances to employees.

   c. Since checks to replenish the petty cash fund are charged to the expense accounts represented by the petty cash vouchers, the only entries to the petty cash fund asset account would be to establish the fund, increase or decrease the fund, or to close the fund.

   d. Receipts from vending machines and other miscellaneous services are be recorded and deposited like other revenue and not maintained as a petty cash fund or used for miscellaneous purposes.

5. An established amount is maintained for change. Collections are be reconciled each day and amounts over or short, if any, are be accounted for in the accounting records and deposited if

applicable (in the accounting records as a revenue for over and as an expense/expenditure for short). Established change funds are never be used to absorb amounts over or short.

Activity 7: Cash in Bank

Objective 1: **Ensure that all cash balances are adequately insured or collateralized**

Objective 2: **Cash flow forecasts are accurate so that investment returns can be maximized and cash shortfalls can be avoided**

Risks:

1. Cash balances exceed insured limits and are not properly collateralized, which could result in loss of funds

2. Adequate information is not available to forecast cash flows or inaccurate information is used resulting in incorrect forecasts

Policies:

1. TCA 6-56-110 Deposits to be Secured by Collateral
2. TCA 9-1-107 Deposits Exceeding Insurance Limits
3. TCA 9-4-101 Collateral

Procedures:

1. Bank statements are reconciled with the cash balances presented in the accounting records (general ledger). Bank reconciliations are be prepared within 30 days after the bank statements are received from the bank. Canceled checks must be retained on file with the applicable bank statements for future reference and audit purposes and are not be filed with paid invoices or purchase authorizations.

2. NOTE: Although by state law canceled checks must be maintained, because of current national legislation canceled checks may not be available. If imaged statements are issued, the City are require the bank to include both the front and back of each check and deposit slip, and require that the images be of such quality and size that they are clearly legible.

3. If a City wishes to use on-line banking, they will need to confirm with the bank that they

have a method in place that requires transactions to be authorized by two individuals before they can be processed. If the bank does not have a method that effectively requires two individuals' authorizations to execute a transaction, the City are not use on- line banking for payments.

4. When imaged copies are not included with the bank statement, the City are either request the bank to send the copies to the City, download copies from the bank's website, or determine an alternative way to obtain adequate supporting documentation for canceled checks and deposit slips.

5. Any alternative must meet the following criteria: (1) be cost effective; and (2) provide timely access to the documentation. Additionally, front and back copies are required regardless of the method used to obtain the copies or the format of the copies (paper or electronic).

6. The City ensures that bank accounts are classified as "public" accounts. If any other classification is used, the accounts will not be considered eligible for collateralization. If the depository is a part of the Bank Collateral Pool, accounts not identified as "public" will not be included in calculating collateral requirements of the Pool and money may not be adequately secured.

7. The City complies with state statutes governing collateralization of municipal deposits. These statutes generally require collateralization of 105 percent (105%) on all deposits above the FDIC/FSLIC insured amounts. Personnel in depository institutions and the City's attorney are be consulted to determine that collateral agreements, trustee custodian agreements, and the type of security being held is in accordance with all applicable legal provisions.

8. In 1995, the State of Tennessee Treasury Department implemented the Bank Collateral Pool as an efficient, cost effective, and safe alternative for securing public funds. Participation in the Collateral Pool relieves the City of most of the responsibility for ensuring collateral compliance since the collateral function is centralized in the State Treasurer's Office. For additional information regarding collateral requirements and the State of Tennessee Bank Collateral Pool, municipalities may contact the State Treasurer's Office, Division of Cash Management, (615) 532-1168 or visit their website at http://www.tn.gov/treasury/ .

9. Check cashing for checks drawn on accounts other than those owned by the City, salary advances and similar activities are not in the best interest of the City and require the City to accept a certain level of risk of nonpayment. To avoid taking additional unnecessary risks, municipalities are not engage in such practices.

Activity 8: Investments

Objective 1: **Investments are authorized, provide maximum returns with minimum risks and comply with legal requirements**

Objective 2: **Ensure that all investments are accurately recorded**

Objective 3: **Ensure that all investments are authorized and comply with all internal and external restrictions**

Objective 4: **Investments are adequately safeguarded**

Risks:

1. Investments are not in compliance with state and local laws or are not as profitable or the risk of loss of funds is excessive
2. Investments are not properly timed or monitored resulting in lost revenue or early withdrawal fees
3. Negotiable investments are not adequately safeguarded
4. Investments are not recorded properly, or in inaccurate amounts
5. Investments are not authorized in accordance with applicable restrictions
6. Investments have not been properly approved by the Comptroller
7. Investments exceed risk thresholds set by the Board
8. Investments are not maximizing earnings
9. Penalties are incurred due to early withdrawal to meet cash flow demands
10. Investments are misappropriated

Policies:

1. TCA 6-56-106 Authorized Investments
2. City of Franklin Investment Policy

Procedures:

1. The City ensures that investments of municipal money maximize earnings and comply with state statutes and municipal investment policies. Investment options include savings accounts, certificates of deposit, short-term treasury bills and certificates, deposits in the Tennessee Local Government Investment Pool, etc. Additional guidance regarding investments can be found at http://tn.gov/comptroller/lf/ .

2. The City's investment policy addresses the City's strategies, goals and procedures. The policies and procedures include, but are not be limited to:
    - authorizing individuals (purchasing, selling, roll-over, physical security)
    - investment types
    - requirement to annually review laws and regulations to determine if there are changes that affect the City
    - cash forecasting requirements in determining investment options
    - requirement to deposit investment proceeds, including cash received from matured certificates of deposit, into municipal accounts.
    - investments that must be approved by the Comptroller (repurchase agreements), including Comptroller approved forms.

3. Personnel maintain an investment record card or a similar record listing the essential features of each investment, including the following:
    a. date of purchase
    b. description (or bank name) and identification number of each security
    c. interest rate
    d. original cost
    e. fund or funds providing the excess cash for investment
    f. maturity date of the investment
    g. date of and amount at termination (cashing) of investment and use of proceeds (reinvestment, deposit into municipal bank accounts, etc.)

Activity 9: Receipting

Objective 1: Ensure that all cash receipts are accurately recorded and adequately safeguarded

Risks:

1. Cash could be misappropriated, lost or stolen
2. Cash collections could be manipulated to cover shortages
3. Cash collections are not accurately posted to the accounting records

Policies:

1. TCA 4-4-108 Blanket Surety Bond Required
2. TCA 6-56-111 Deposit Within 3 Working Days
3. TCA 9-2-103-104 Consecutively Pre-Numbered Receipts Required
4. TCA 9-2-106 Violation of Receipt Requirements is a Class C Misdemeanor
5. City of Franklin Receiving and Depositing Cash Policy

Procedures:

1. Adequate supporting documentation, such as pre-numbered receipts, billing stubs, etc., is required to document all transactions.

2. The City ensures that qualified individuals are hired and that appropriate training is provided.

3. The City has adequate surety bond coverage for all officials and employees.

4. Collections are deposited daily, if possible, but no more than three business days after the initial collection, as required by state law. Municipal collections are never be taken home by any municipal employee or official.

5. Collections are deposited intact. Intact means that collections are deposited in the form and amount in which they are collected. All money collected must be deposited in the next deposit. No collections are be withheld from the deposit for any reason.

6. All cash maintained on hand and collections not yet deposited are kept in a secure location.

7. Deposit slips are completed in duplicate at a minimum. All checks are be listed individually on the deposit slip or an attached list, itemizing the name of the payer and the amount. The receipt numbers comprising the deposit are be written on the deposit slip. The validated duplicate deposit slip or the duplicate deposit slip with deposit receipt attached must be retained.

8. Personnel safeguard all securities by depositing them in a safe-deposit box with access restricted to dual control by two responsible officials.

9. The City ensures that responsibility for each step of cash handling and recording is clearly established. If possible, the employees who receive cash collections (cashiers) are be different from those who maintain the books and records (bookkeepers).

10. Pre-numbered receipts for each revenue source are issued as required by Sections 9-2-103 and 104, Tennessee Code Annotated, and all unused or voided receipts are accounted for. Pre-numbered receipts issued are be detailed to adequately identify and/or document the payment source, payment date, method of payment (cash or check), purpose of payment, if needed, etc. Collections from customers evidenced by stubs from utility bills and property tax bills do not require an additional receipt. However, if the bill is not presented with payment, the cashier are prepare a duplicate bill to be retained as the receipt. Each bill stub are be stamped or marked "PAID," dated by the cashier, and marked to identify whether the form of remittance is cash or check. The stubs are be organized by date of payment/deposit (See Section 11 of this Chapter) and retained.

11. Anytime custody of money changes from one employee to another, the money are be counted by both employees.

12. The payment date and amount is recorded for each individual account in the utility billing register on a timely basis.

13. The City uses a lockbox service with its primary bank for receipts by mail.

14. At the end of the day, the cashier counts the cash and checks on hand, leaving only the predetermined amount for change. The change are be kept in a secure location.

15. Each day the cashier summarizes all cash collections by source and fund on a daily collection report, clearly indicating the amount to be deposited, the amount retained for change, and the amount of cash over or short. Each report are be dated, and the date are be recorded on the

corresponding deposit slip. The total on the corresponding deposit slip as well as the total of all applicable pre-numbered receipts are agree with the total collections recorded on the daily collection report. The cashier are write the receipt numbers applicable to each collection source on the daily collection report and sign the report. Each cashier are be assigned a separate cash drawer that is accessible only to that cashier. A daily collection report are be prepared by each cashier which is then consolidated for the daily report to be sent to accounting for recording the activity.

16. Deposit slips are completed in duplicate (at least). Regardless of whether the remittance is received by mail or paid directly to the cashier, each check are be listed individually on the deposit slip or an attached list, itemizing the name of the payer and amount.

17. Collections are deposited daily, if possible, but no more than three business days after the initial collection, as required by state law. The bank's night depository are be used, if necessary, to avoid large accumulations of currency overnight.

18. Collections are deposited intact and only in designated depositories. Intact means that collections are deposited in the form and amount in which they are collected. Employee and third party checks must not be cashed through the cash drawers. No collections are be withheld from the deposit for any reason.

19. At the end of each day, all pre-numbered receipts, billing stubs, tax receipts, and other evidence of collection are turned over to the bookkeeper for posting.

20. Duplicate, pre-numbered receipts are marked and property tax receipts and billing stubs are filed according to the deposit to which they correspond.

21. All appropriate filings have been made, in accordance with TCA 47-10-119, if taxes, fees, fines, etc. are collected by accepting credit or debit cards.

22. Fees are assessed which are sufficient to cover the fees charged to the City when credit or debit cards are accepted for payment of taxes, fees, fines, etc.

23. The City are separate duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow are be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons are be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and

minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight are be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner.

25. The City's separation of duties for receipting is as follows:

Receipting	Cashier	Office Manager	Financial Technician
Maintain Separate Cash Drawer	X		
Stamp over-the-counter Checks and Money Orders "For Deposit Only"	X		
Issue sequentially numbered Receipts for Over-the-counter receipts.	X		
Combine checks, money orders, and credit card receipts from all drawers. Make a list of the receipts and total.		X	
Verify deposit amount with Check Out Sheets		X	
Revenue Management Makes Deposit Intact			X
Attach the Deposit Receipt from Bank to Lists and file for audit.			X

Activity 10: Purchasing not pertaining to the design and/or construction of new infrastructure and facilities

Objective: **Ensure that all purchases are authorized and proper**

Risks:

1. Purchases are not authorized or exceed available budgeted amounts or are not for a municipal purpose
2. Bids are not solicited for purchases exceeding bid limits which can result in the best price/product not being obtained

Policies:

1. T.C.A. § 6-56-301 *et seq.* (Municipal Purchasing Law of 1983)
2. T.C.A. § 12-3-1201 *et seq.* (Public Purchases – Local Governments)
3. T.C.A. § 62-6-101 *et seq.* (Contractors Licensing Act of 1994)
4. T.C.A. § 12-4-101 Personal Interest of Officers Prohibited
5. City ordinance on "Public advertisement and competitive bidding" (F.M.C. § 5-502)

6. City ordinance on “Debarment and Suspension” (F.M.C. § 5-1001 *et seq.*)
7. City ordinance on “Disposal of surplus personal property” (F.M.C. § 5-801 *et seq.*)
8. City ordinance on code of ethics (F.M.C. § 1-801 *et seq.*)
9. City of Franklin Purchasing Policy as most recently adopted by resolution of the Board of Mayor and Aldermen

Procedures:

1. Minutes of actions taken by the Board are to include summaries of action taken on competitive bids.

2. Minutes of actions taken by the Board are to include summaries of action taken on purchasing policy.

3. The Board, by resolution, has established a purchasing policy. The policy complies with the requirements of the Municipal Purchasing Law of 1983, Sections 6-56-301 through 6-56-306, Tennessee Code Annotated, or applicable charter provisions or private act requirements governing competitive bidding and purchasing. The procedures enumerated in this chapter are the minimum that are to be included in the policy.

4. The City’s purchasing policy designates persons authorized to make purchases who have the authority to determine that (1) the item/service is necessary, (2) the quantity/times requested is appropriate, (3) the expenditure is authorized by the budget (when applicable), (4) does not exceed budgeted amounts for the respective fund, and (5), when related to grant contracts, meets the requirements of the grant contract.

5. The policy requires use of pre-numbered purchase authorizations/orders for purchases over a predetermined amount.

6. The policy outlines alternate procedures for emergency and small-item purchases, if needed (i.e., purchases authorized to be made without approval).

7. The policy requires approval of pre-numbered purchase authorizations/orders by the finance officer or his designee to indicate that the expenditure is appropriate and authorized under the budget appropriation.

8. The policy designates individuals who are authorized to make purchases with municipal purchasing cards. The City clearly defines the types of purchases permitted to be made using the purchasing cards. Such purchases must be approved in the same manner as any other purchase. The number of cards maintained are to be kept to a minimum and are to be properly accounted for. A record of the current holder(s)/user(s) are be maintained in the City’s files. Personal charges are to be strictly prohibited.

9. The policy requires competitive bids for purchases over a stated amount.

10. The policy requires that personnel retain sufficient documentation to substantiate that required competitive bids were requested. When a contract is not awarded to the lowest bidder, the reasons are also to be documented in the minutes.

11. The policy requires Board approval of any lease-purchase contracts which would extend beyond the current fiscal year.

12. The policy requires that when competitive bids are necessary, personnel do the following:
    a. write the specifications and advertise for bids
    b. release the specifications and bid requests to prospective bidders
    c. maintain complete records of any bid deposits received
    d. advertise the bid opening in a local newspaper at least one week prior to opening
    e. hold a public bid opening at the time and place announced

13. The policy requires that the appropriate municipal official(s) and the successful bidder sign a written agreement after the contract is awarded. A copy of the signed contract is to be maintained in the City's files.

14. The policy requires for those purchases not subject to a competitive bid that the person authorized to make purchases obtain price quotations and avoid any purchase contracts which may involve a potential conflict of interest on the part of a public official. The municipal purchasing policy requires that a written record be retained when quotations are obtained.

15. Personnel of the City's various departments who are authorized to make City purchases must become, prior to or as soon as practicable upon being so authorized, and remain while so authorized, familiar with the City's purchasing policies and procedures. The Purchasing Manager shall regularly update departmental representatives designated by the City's various department heads so that that the designated departmental representatives may be informed, in a timely manner, of recent legislation, changes to purchasing policy and procedure, and other matters that affect how, when, what, where, and from whom City purchases may be made.

16. Separation of duties in the Purchasing function consist of the following:

Duty	City Administrator	Assistant City Administrator	Purchasing Manager	Purchasing Analyst	Purchasing Technician	Department Head or Designee
Receive Requisition from Departments for Purchase			x	x	x	
Approve the Requisition	x	x	x			
Issue the Purchase Order for Goods/Services Based on Approved Requisition			x	x	x	
Record Purchase Orders Against Departmental Budget			x	x	x	
Authorize Personnel to Make Purchases and/or Be Issued a City Puchasing Card						x
Receive Ordered Goods/Services						x
Sign and Code Invoice indicating the Goods/Services Were Received and Submit Receiving Ticket to Purchasing Office						x
Match Receiving Ticket and Invoice to Purchase Order and Change Status of PO in Accounting System			x	x	x	
Submit Payment-ready Paperwork to A/P			x	x	x	x
Determine the Disposition of Any Outstanding Purchase Orders			x	x		

17. Approximately every six months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of City employees who have been issued active fleet fuel driver identification numbers (a.k.a. fleet fuel driver PINs) with which to purchase fuel for the City's fleet.

18. Approximately every twelve months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of active City fleet fuel vehicle cards with which to purchase fuel for the City's fleet.

19. Approximately every six months, the Purchasing Manager shall solicit confirmation by the City's respective department heads or designees of the accuracy of the current list of active City purchasing cards.

Activity 11: Disbursements

Objective 1: **Ensure that all disbursements are for municipal purposes**

Objective 2: **Ensure that all disbursements are accurately recorded**

Objective 3: **Ensure that all disbursements are authorized and proper**

Objective 4: **Ensure that payments are timely**

Risks:

1. Disbursements are not for a municipal purpose and inappropriate or unauthorized disbursements could be made
2. Disbursements are recorded to the wrong accounts or for the wrong amounts
3. Disbursements are not authorized or exceed available budgeted amounts or are not for a municipal purpose
4. Disbursements are unnecessary
5. Disbursements are for goods that were never received
6. Disbursements do not comply with legal or contractual restrictions, and may be required to be returned to the grantor
7. Duplicate payments occur
8. Penalties have to be paid

Policies:

1. TCA 6-56-111(c) Consecutive Pre-numbered Checks
2. TCA 6-56-112 Expenditures for a Lawful Municipal Purpose
3. In Progress: City of Franklin Disbursement Policy

Procedures:

1. The City ensures that personnel or officials receiving goods or services purchased by the City sign delivery receipts, invoices, or other supporting documentation to verify that items and services for which the City has been billed have actually been received and accepted. The documentation are be sufficient to determine that the expenditure was for a municipal purpose. Expenditures for food, mileage, etc., generally will require additional notations to

indicate the purpose, date and any other pertinent information regarding expenditures for such items.

2. Adequate supporting documentation, such as invoices, etc., is required to document all transactions.

3. The City ensures that the request for payment (statement) from the vendor is compared to the individual invoices on file. Payment are never be based on a statement only. The testing of prices, extension of amounts, and addition of the total invoice are be required. In addition, timely payment are be made to avoid penalties.

4. The City cancels each page of supporting documentation, including purchase authorizations/orders before the checks and documentation are submitted for approval and signing. Supporting documents are be canceled by writing the check number, amount, payment date, and account to be charged on the first page of documentation and stamping "PAID" on all other pages.

5. The City files supporting documentation by date paid and also electronically in scanning software utilizing key fields such as vendor or invoice number.

6. The Finance Department's Financial Manager reviews all checks prior to being signed to establish the propriety of each disbursement and to be certain the purchase has not previously been paid. The Financial Manager documents on the invoice the review and approval.

7. The use of consecutively pre-numbered checks on protected paper to avoid erasures. Both the checks and attached documentation are be submitted to the designated officials for examination and signature. The City are require two signatures on all checks and are never sign checks in advance of their preparation and issuance. Checks must not be made payable to "Cash."

8. NOTE: All disbursements, regardless of the accounting procedures, must be supported by invoices, cash tickets, or other adequate supporting documentation. The documentation are be sufficient to determine that the expenditure was for a municipal purpose. (Statements are not adequate supporting documentation.) The supporting documents are be signed by the person receiving the goods or services to verify that the City received and accepted the goods/services for which it was charged.

9. Depending on the purchase, purchasing card payments are either approved by departmental management or in the same manner as any other purchases. Purchasing card receipts are provided to the City's Purchasing Office.

10. All money is disbursed by pre-numbered checks. Checks must not be signed in advance of their preparation and issuance. Checks must not be made payable to "Cash" or "Bank" if intended for cash.

11. Two authorized signatures are required for all checks. Authorized signature cards at the bank must be current. Before signing checks, each signatory are review adequate supporting documentation (such as vendor invoices, purchase authorizations, etc.).

12. Signature stamps are safeguarded by the Finance Department. Signature stamps intended for administrative purposes only, such as for letters, etc. must also be safeguarded.

13. A federal Form 1099 is prepared and sent to the Internal Revenue Service for each noncorporate recipient of the City's money during a calendar year. (Contact the IRS for the current reporting limit.) This requirement applies to service providers and consultants under contract, as well as to any other nonpayroll, noncorporate recipients.

14. The City separates duties of employees so that no one person has control over a complete transaction from beginning to end. Work flow are be established so that one employee's work is automatically verified by another employee working independently. When possible, different persons are be responsible for the authorization, recordkeeping (posting), custodial (cash and materials handling), and review procedures, to prevent manipulation of records and minimize the possibility of collusion. When adequate segregation of duties is not possible, management/board oversight are be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner.

15. The City's separation of duties for disbursements is as follows:

Disbursements	Department Approver	Financial Technician or Analyst	AP Technician	Financial Manager	Financial Analyst	Financial Analyst	Admin Assistant
Invoice Approval	X						
G/L Code/Budget	X						
Submits New Vendor Form/W-9	X						
Submits Invoices to Finance for payment	X						
New Vendor Set-up		X					
Input Invoices batches			X				
Prepares AP Report for review			X				
Reviews & Approves final AP report				X			
Creates EFT Pay file			X				
Approves EFT Pay file				X			
Prints Checks			X				
Checks/EFT Distribution		X	X				
Scans AP documents for record retention							X
Posts Disbursements to GL					X		
Reconciles AP Liability Account						X	

Activity 12: Employee Travel and Reimbursements

Objective 1: **Ensure that travel disbursements are authorized and proper**

Risks:

1. Travel payments are improper

Policies:

1. TCA 6-54-901 Expense Reimbursements Incident to Holding Office
2. TCA 6-54-903 Filing of Travel Policy
3. City of Franklin Travel Policy

Procedures:

1. Most travel is paid by purchasing card. When a travel advance is given, the amount of advance are be posted to a special subsidiary ledger as an amount due the City from the recipient of the advance. When the travel is completed, the advance are be reconciled to the travel claim and supporting documents. The difference are be either paid to the employee (in cases where the approved travel claim amount exceeds the advance) or collected from the employee (in cases where the advance exceeds the approved travel claim amount).

2. The reconciliation of the travel expenses is to be completed no more than 10 days after the travel is completed. Even for accountable plans, there are payroll tax consequences for travel claims that are not submitted within a reasonable period of time after the travel.

3. Sections 6-54-901 through 6-54-907, Tennessee Code Annotated, the Board has adopted an ordinance to reimburse officials and employees whose salary is set by charter or general law for expenses incidental to holding office. The law requires that a written travel policy be enacted setting forth what expenses are reimbursable and how they are be reimbursed. Expenses for reimbursement must be reported on a standardized form in sufficient detail to determine allowability. In addition, adequate documentation must be required and maintained to support the expense report.

4. Minutes of actions taken by the Board include the expense reimbursement policy

Activity 13: Capital Assets and Inventory

Objective 1: Ensure that all assets are properly recorded

Objective 2: Ensure that all assets are adequately safeguarded

Objective 3: Ensure that inventory is necessary and reasonable

Risks:

1. Inventory and capital assets are not recorded or are valued incorrectly
2. Obsolete inventory or retired capital assets are still recorded
3. Inventory, capital assets and moveable, high-risk, sensitive property are misappropriated or lost

4. Inadequate insurance is maintained and the City is susceptible to losses beyond its ability to pay
5. Inventory levels are excessive
6. Inventory items are not available when needed

Policies:

Procedures:

1. The City requires that all capital assets be identified (tagged or marked), and recorded immediately following the purchase of such items. Vehicles and equipment (backhoes, mowers, etc.) are have the City's name or seal clearly displayed. The asset record are be retained at the City and are include up-to-date purchase and disposal information. An annual physical inventory are be performed, documented, and reconciled to the property records. Capital assets acquired with grant funds are identified to ensure that they are maintained, accounted for and disposed of in accordance with the terms of the grant.

2. The City requires that a record of moveable, high-risk, sensitive property, such as TVs, cameras, chainsaws, tools, lawn mowers, and small office machines, as well as furnishings and works of art, be established and maintained. An annual physical inventory are be performed and documented in the City's records. All such items are be tagged or marked to identify them as municipal property immediately following the purchase of such items.

3. The City has established useful lives of water and wastewater systems. The Tennessee Wastewater Financing Board has adopted the following guidelines for evaluating the useful lives of assets of water and wastewater systems. The useful lives of assets do not exceed the appropriate guidelines listed below.

Asset Account	Years
Office Furniture and Fixtures	10
Office Building	40
Equipment and Tools	10
Transportation Equipment	5
Pumps and Treatment Equipment	10
Well/Dam	Engineer's Estimate
Plant Buildings	40

Lines and Storage	40-50
Sewer System	40-50

4. City departments provide the Risk Management office of Human Resources with capital asset information to ensure it is adequately insured. The Risk Management office annually analyzes risk exposure, assesses the City's ability to absorb losses and structure the City's insurance purchases accordingly.
5. The City has procedures that provide safeguards for inventories of materials and supplies. These procedures include the following:
    a. a requirement to inspect and count each incoming materials and supplies delivery, with the receiver signing each invoice as received and accepted

    b. a requirement that all materials and supplies are stored in designated areas that are protected against unauthorized withdrawals and other losses

    c. a requirement that scrap materials that have a known salvage value are safeguarded until sold and that the proceeds from the sale of scrap are handled in the same manner as other cash receipts

    d. inventory levels to be maintained

    e. a requirement that work orders be used to support usage (reduction) of inventory balances (e.g., utility pipe, meters, etc.).

Activity 14: Debt

Objective 1: **Ensure that information for debt is in compliance with legal requirements.**

Objective 2: **Ensure that debt disbursements are authorized and proper**

Risks:

1. Debt payments are improper

Policies:

1. TCA 9-21-408 Interfund Loans
2. 9-21-601 Capital Outlay Notes
3. 9-21-903 Refunding Bond Issues
4. 9-21-130 Debt Management Policy required by State Funding Board
5. City of Franklin Debt Management Policy

Procedures:

1. The City ensures that its credit is not given or loaned to or in aid of any person, company, association or corporation except upon an election to be first held by the qualified voters of such county, city, or town and the assent of three- fourths of the votes cast at said election. An example of such credit is loans to private corporations.

2. The City ensures all debt instruments are maintained in a secure location and are available for inspection, audit, and planning purposes.

3. Before entering into a debt agreement, the Board (as documented in the minutes) and the Comptroller (Division of Local Finance) have approved or reported on the issuance of the loan or bond.

4. The City ensures any interfund or interdivisional loans are approved by the Comptroller's office.

5. The City ensures reserve accounts are established as required by the loan agreement.

6. The City ensures debt payments are made on a timely basis.

7. If the debt involves federal loan funds, the City includes such funding on its schedule of federal and state assistance and informs the audit firm of such funding.

8. The City's Chief Financial Officer and City's Comptroller are assigned to review, at least annually, contracts, bond covenants, laws and regulations regarding debt to ensure that the City is in compliance with all current debt provisions and that new provisions have been identified to ensure on-going compliance.

9. The City's Chief Financial Officer and City's Comptroller maintain information regarding debt issues and the related amortization schedules to ensure that information necessary for note disclosure and supplemental schedules is readily available, complete and accurate.

10. Minutes of actions taken by the governing body include copies of bond and revenue anticipation resolutions

11. Minutes of actions taken by the governing body are include authorizations of loans and transfers between funds

12. The City's Chief Financial Officer and City's Comptroller maintain information regarding debt issues and the related amortization schedules to ensure that information necessary for note disclosure and supplemental schedules is readily available, complete and accurate.

13. The City ensures that continuing debt disclosure occurs each year. This includes material events during the year and the filing of the annual report within 6 months of fiscal year end.

Activity 15: Grants

Objective 1: **Ensure that information for federal grants is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.**

Objective 2: **Ensure that debt disbursements are authorized and proper**

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. CFR 200.303 Internal Controls for Recipients of Federal Awards
2. Standards for Internal Control in the Federal Government (Comptroller General of U.S.)
3. Internal Control Integrated Framework (COSO)
4. OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards

Procedures:

1. Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

2. Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

3. Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

4. Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

5. The Finance Department compiles, reviews and summarizes grant information throughout the year to ensure that the schedule of expenditures of federal awards and state financial assistance is complete and accurate.

6. One of the most significant activities of any City is purchasing. There are many laws and regulations, federal, state, and local, that govern how a City may make purchases and the

purposes for which money may be expended. Additional constraints are imposed by grant agreements.

7. The City ensures that the City's purchasing policy designates persons authorized to make purchases who have the authority to determine that when related to grant contracts, meets the requirements of the grant contract.
8. Minutes of actions taken by the governing body are include copies of federal and state grant applications (whether a final award was received or not)
9. The City are ensure that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to the City's operations. A review of all relevant compliance issues would include federal and state grant requirements

Activity 16: Contracts

Objective 1: Ensure that information for contracts is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Objective 2: Ensure that contract disbursements are authorized and proper

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA 6-54-107 Officers Interest in Municipal Contracts Prohibited
2. TCA 12-4-106 Contracts for Professional Services

Procedures:

1. Minutes of actions taken by the Board include copies of contracts entered into by officials. The City obtains a written contract for all agreements with other entities or individuals for services received or provided, regardless of whether payment is involved, including the following:

- contract labor and consultant agreements, including computer services, day labor, and similar work
- leases
- rentals
- management agreements
- mutual aid agreements
- cable or other franchise agreements

Activity 17: Budget

Objective 1: Ensure that information for budget is in compliance with Federal statutes, regulations, and terms and conditions of the Federal award.

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Information is not able to be audited

Policies:

1. TCA 6-56-201 Municipal Budget Law of 1982

Procedures:

1. One of the most significant activities of any City is purchasing. There are many laws and regulations, federal, state, and local, that govern how a City may make purchases and the purposes for which money may be expended. Additional constraints are imposed by budgets.

2. Minutes of actions taken by the governing body include copies of the budget and any supplemental appropriations

3. The City ensures that, at least annually, a detailed review is made of all known compliance requirements. In addition, a search are be made to identify all new requirements relevant to

the City's operations. A review of all relevant compliance issues would include budgeting and expenditures requirements.

4. Detailed pay rate listings by employee classification are included as supplementary schedules to support salary appropriations in the budget.

Activity 18: Information Systems

Objective 1: Ensure that information is complete, accurate, and available to only authorized individuals

Risks:

1. Information is incomplete, inaccurate, and/or unavailable
2. Unauthorized access occurs, resulting in distribution of confidential information and or data being corrupted
3. Information is not able to be audited

Policies:

1. City of Franklin Computer Use Policy

Procedures:

1. For software to be adequate for use by a City, the following minimum controls must be present.
   a. The software must produce an unalterable audit trail.
   b. The software must generate a new receipt number when a transaction is voided (no reuse or renumbering of receipts are be permitted)

2. Controls must be in place to reasonably ensure that developers have not left "back doors" that can be used to alter code, output, etc.

3. The City ensures that:
   a. controls are in place to ensure that only authorized individuals have access to electronic data and municipal computers (this would include passwords, access limitations, procedures to revoke authorization when employment is terminated, etc.).

b. backups are made of all data on a regular basis and are securely stored off-site.

4. When acquiring and utilizing computer programs for accounting, billing and other activities the City are ensure that proper evaluation and testing on the software is performed. Without proper evaluation and testing this creates unknown risks to the City. When evaluating applications that are nationally recognized this will often require less additional testing than those that are internally developed, contracted for development, or are less widely used. That is not to imply that nationally recognized applications are more reliable than others, they have just been subjected to broader testing. The broader testing of a nationally recognized application may be considered by municipalities in determining if additional testing is necessary. Municipalities are not assume that a computer application is functioning properly without proper evaluation; therefore documentation are be maintained on file to document the City's evaluation of the application. For applications that are modified at a later date, additional testing and evaluation will be necessary at that time.

5. The City's IT Director and Assistant Director review relevant computer programs to determine whether they need to be updated, upgraded or modified.

Activity 19: Billing

Objective: **Ensure that billings are complete and accurate**

Risks:

1. Billings do not include all customers
2. Billings have bills with calculation errors

Policies:

1. City of Franklin Title 18 (Water and Sewers)
2. City of Franklin Title 17 (Refuse and Trash Disposal)
3. City of Franklin Title 23 (Stormwater Management)
4. City of Franklin Title 24 (Special Assessment Districts)

Procedures:

The Billing Department is responsible for the management of the City's utility billing customer file and the preparation and delivery of all bills. Beyond the established procedures and experienced staff, there are notable internal control reviews that are performed with each billing cycle; each month; and, on an as needed basis (at least annually).

Billing Cycle Review

Review and edit procedures exist for each billing Cycle, include:

Reading Review at Account Level (Raw input review prior to bill run)

- Monthly consumption volume changes are reviewed for variances:
  - High and Higher
  - Low and Lower
  - Acceptable
  - Missing Readings
  - Zero Consumption Readings
  - Negative Consumption
  - Consumption on Inactive Accounts

Review at Bill Run

- Identify system exceptions (accounts unable to bill), correct exceptions, rerun and re-review.

Bill Run Edit Reports –

- An output review reports of:
  - Top 100 Accounts
  - New Accounts
  - Final (Terminated) Accounts
  - Billed Prior Month Not This Month

Monthly Reviews

- Cycle billing register totals and counts are recorded by month and compared to prior months.
- Review all accounts with three months of consecutive zero consumption.

Annual Reviews

At least annually, Revenue Management will:

- Obtain a list of all City addresses from City records and reconcile it to the billing system to determine that all service addresses are being billed.

- Obtain billing registers from Water Districts (3) for whom we provide sewer service and compare their dollar amounts billed for water to our amounts billed for sewer for billing computation verification.

Internal Control Documentation

PROPOSED UPDATES - 2018

WHAT IS THE INTERNAL CONTROL DOCUMENTATION?

Per State law, the Board approved in April 2016 specific internal controls to provide reasonable assurance that:

(1) Obligations and costs are in compliance with applicable law;

(2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

WHY UPDATE?

The Finance, Purchasing, and Revenue Management have reviewed the documentation and are proposing updates to match our current internal controls

VHAT IS BEING UPDATED?

Contents

vity 10: Purchasing not pertaining to the design /or construction of new infrastructure and facili

Page 32: Update internal control questions

ACTIVITY 10: PURCHASING

Does the City have a purchasing policy?

Yes, for City procurements not pertaining to the design and/or construction of new infrastructure and facilities.

Does the City have a purchasing card policy?

Yes, a provision of the City's purchasing policy addresses the City's purchasing card program.

vity 10: Purchasing not pertaining to the design /or construction of new infrastructure and facili

Pages 58-60: Update Purchasing section

1. Update applicable policies
2. Update procedures
3. Update separation of duties chart

Activity 19: Billing

Pages 74-75: Add Billing section

1. Identify risks (billings are complete and accurate)
2. Identify policies
3. Identify procedures for each bill run, each month, and annually

CITY OF FRANKLIN

3RD QUARTER REPORT

FY 2018

Excellence *Innovation* *Teamwork* *Integrity* *Action-Oriented*

TABLE OF CONTENTS

Executive Summary

Quarter Ended March 31, 2018

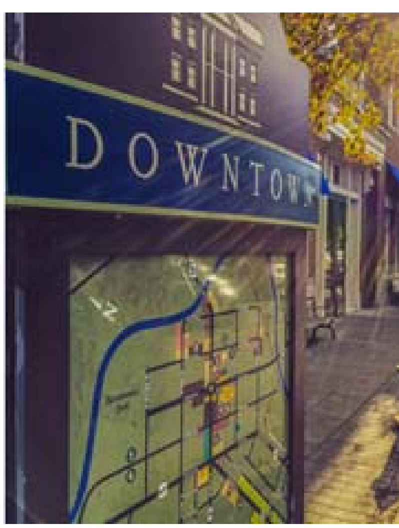
- The General Fund shows a current year surplus of $6,952,390. At the end of the 3rd quarter, revenues are at 76% of budget with expenditures at 66%.
- In the General Fund, local sales taxes are 4.6% higher over last year.
- In the General Fund, state shared taxes are 6.4% higher. Although state sales tax was anticipated to be lower due to the change in State Law, the City's special census increased the City's portion of taxes based on population.
- In the General Fund, higher interest rates are resulting in additional interest income.
- For development fees that are dependent on timing and type of development,
    - building permit revenue is up almost 3.0% over last year.
    - road impact fees are 67.3% over last year. Facilities taxes are almost 15.8% over last year.
    - water/sewer development fees are 15.7% higher than last year.

- In the Street Aid Fund, gasoline taxes are 28.3% higher. A higher amount was anticipated with the beginning of the new State Law for fuel tax. (A gasoline tax report has been added to monthly reports.)
- The City has transferred $892,993, the total budgeted, to the Transit Fund as grant revenues are at 5% of budget. Transit has submitted grant reimbursements that will reduce the transfer amount and the fund deficit.
- The Water and Sewer Fund, including capital projects, is in a current year deficit of $(5,324,800). The primary factors are water plant improvements budgeted to come from prior year surplus funds, and costs for the Southeast Interceptor emergency sewer repair.

All Funds Summary

Fund	Beg Fund Balance	Revenue	Expenditures	End Fund Balance	Change	Fund Summary on Page
General	$43,283,142	$52,823,385	$45,870,995	$50,235,532	$6,952,390	3
Street Aid	$502,481	$2,594,696	$1,802,912	$1,294,265	$791,784	4
Sanitation & Envir. Services.	$687,099	$6,449,833	$6,134,373	$1,002,559	$315,460	5
Road Impact	$5,889,789	$9,484,801	$3,839,772	$11,534,818	$5,645,029	6
Facilities Tax	$10,441,436	$3,746,031	$790,182	$13,397,285	$2,955,849	7
County Facilities Tax	$3,488,072	$1,407,062	$300,000	$4,595,134	$1,107,062	8
Stormwater	$4,687,695	$1,916,394	$2,322,352	$4,281,737	($405,958)	9
Drug	$541,205	$196,031	$175,160	$562,076	$20,871	10
Hotel/Motel	$3,827,284	$3,137,093	$1,859,537	$5,104,840	$1,277,556	11
In Lieu of Parkland	$4,584,138	$756,729	$505,402	$4,835,465	$251,327	12
Transit	$374,758	$1,069,019	$1,565,886	($122,109)	($496,867)	13
CDBG	$86,263	$220,972	$219,089	$88,146	$1,883	14
Debt Service	$90,197	$13,024,854	$11,638,310	$1,476,741	$1,386,544	15
Capital Projects	$15,508,919	$5,707,833	$13,223,508	$7,993,244	($7,515,675)	16
Water & Wastewater Operations	*	$22,877,787	$28,202,587	*	($5,324,800)	17
Water & Wastewater Dev. Fees	*	$4,562,611	$3,875,156	*	$687,455	18

* As an enterprise fund (which is similar to a private business), Water & Wastewater does not have a fund balance.



General Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Local Sales Tax	$25,518,871	$24,403,773	104.6%	$34,722,480	73.5%
State Shared Taxes	9,566,145	8,989,954	106.4%	12,162,320	78.7%
Property Taxes	8,509,109	9,698,781	87.7%	6,809,727	125.0%
Alcohol Taxes	3,170,565	2,937,463	107.9%	4,147,689	76.4%
Grants	334,966	244,014	137.3%	1,949,098	17.2%
Franchise Fees	2,280,332	1,992,499	114.4%	2,323,232	98.2%
Building Permits & Fees	2,333,648	2,265,796	103.0%	3,393,893	68.8%
Court Fines & Fees	290,075	403,161	72.0%	602,909	48.1%
In Lieu of Tax (Local)	260,607	298,347	87.4%	211,630	123.1%
Interest Income	38,447	31,012	124.0%	321,877	11.9%
Other Revenues	520,620	632,925	82.3%	2,482,805	21.0%
Total Revenues	***52,823,385***	***51,897,725***	***101.8%***	***69,127,660***	***76.4%***
Expenditures:					
Salaries & Wages	24,456,518	23,280,775	105.1%	33,681,301	72.6%
Employee Benefits	8,988,778	9,735,908	92.3%	14,626,258	61.5%
Utilities	1,508,373	1,633,730	92.3%	2,222,806	67.9%
Contractual Services	1,815,467	2,575,612	70.5%	3,604,450	50.4%
Repair & Maintenance Services	1,693,134	1,502,881	112.7%	2,140,905	79.1%
Debt Service & Lease Payments	1,396,369	2,054,620	68.0%	2,034,906	68.6%
Reimbursement from Other Funds	(2,104,148)	(2,030,389)	103.6%	(2,787,800)	75.5%
Transfers To Other Funds	1,142,993	854,785	133.7%	1,142,993	100.0%
Capital (>$25,000)	1,719,615	119,887	1,434.4%	3,939,744	43.6%
Other Expenditures	5,253,896	5,604,031	93.8%	8,522,097	61.7%
Total Expenditures	***45,870,995***	***45,331,840***	***101.2%***	***69,127,660***	***66.4%***
Total Unallocated Funds	***6,952,390***	***6,565,885***	***105.9%***	***0***	***0.0%***

FUND SUMMARY

- The General Fund shows a current year surplus of $6,952,390. At the end of the third quarter, revenues are at 76% of budget with expenditures at 66%.
- Local sales taxes are 4.6% higher over last year.
- State shared taxes are 6.4% higher. Although state sales tax was anticipated to be lower due to the change in State Law, the City's special census increased the City's portion of taxes based on population.
- Interest earnings through 3/31 are inclusive of unrealized mark to market valuations of investment securities. Actual interest earnings are higher since the City holds securities to maturity.
- Building permit revenue is up almost 3.0% over last year.
- Property taxes are lower in 2018 as a greater amount is assigned to the Debt Service Fund following issuance of the 2017 Public Improvement Bonds on 6/27/2017.

Street Aid Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$502,481	$373,415	134.6%	$502,481	100.0%
State Shared Taxes	1,868,278	1,456,284	128.3%	2,395,855	78.0%
Property Taxes	722,941	623,685	115.9%	946,516	76.4%
Interest Income	3,477	769	451.9%	204	1,704.2%
Transfer From General Fund	0	332,840	0.0%	0	0.0%
Total Revenues	***3,097,177***	***2,786,993***	***111.1%***	***3,845,056***	***80.5%***
Expenditures:					
Repair & Maintenance Services	1,802,247	1,799,702	100.1%	3,290,852	54.8%
Other Expenditures	665	638	104.2%	600	110.8%
Total Expenditures	***1,802,912***	***1,800,340***	***100.1%***	***3,291,452***	***54.8%***
Total Unallocated Funds	***1,294,265***	***986,653***	***131.2%***	***553,604***	***233.8%***

FUND SUMMARY

- Gasoline taxes are 28.3% higher. A higher amount was anticipated with the beginning of the new State Law for fuel tax. (A gasoline tax report has been added to monthly reports.)
- Expenditures are primarily for paving activity.

Sanitation Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$687,099	$767,350	89.5%	$687,099	100.0%
Interest Income	238	95	251.4%	196	121.6%
Sanitation Collection Services	4,202,902	3,958,382	106.2%	5,759,661	73.0%
Tipping Fees	1,925,803	1,698,881	113.4%	2,342,768	82.2%
Transfer From General Fund	250,000	0	0.0%	250,000	100.0%
Other Revenues	70,890	167,434	42.3%	191,715	37.0%
Total Revenues	***7,136,932***	***6,592,142***	***108.3%***	***9,231,439***	***77.3%***
Expenditures:					
Salaries & Wages	1,516,599	1,501,052	101.0%	2,090,745	72.5%
Employee Benefits	912,591	728,261	125.3%	1,068,860	85.4%
Utilities	59,412	63,129	94.1%	92,125	64.5%
Contractual Services	13,019	3,000	434.0%	39,644	32.8%
Repair & Maintenance Services	327,448	454,371	72.1%	658,215	49.7%
Debt Service & Lease Payments	215,597	508,131	42.4%	295,484	73.0%
Transfers To Other Funds	99,590	8,723	1,141.7%	305,802	32.6%
Capital (>$25,000)	156,305	164,899	94.8%	266,590	58.6%
Other Expenditures	2,833,812	2,336,314	121.3%	3,715,405	76.3%
Total Expenditures	***6,134,373***	***5,767,880***	***106.4%***	***8,532,870***	***71.9%***
Total Unallocated Funds	***1,002,559***	***824,262***	***121.6%***	***698,569***	***143.5%***

FUND SUMMARY

- The monthly residential rate increased by $1 effective July 2017.
- Collection services revenue is 6.2% higher than last year. Tipping fees are 13.4% higher.
- Collection services and tipping fee revenues have been sufficient to cover operating expenditures through mid-year.

Road Impact Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$5,889,789	$5,019,848	117.3%	$5,889,789	100.0%
Interest Income	80,524	18,882	426.5%	10,000	805.2%
Road Impact Fees	9,404,277	5,622,248	167.3%	8,800,000	106.9%
Road Impact Credits	0	0	0.0%	(301,440)	0.0%
Total Revenues	***15,374,590***	***10,660,978***	***144.2%***	***14,398,349***	***106.8%***
Expenditures:					
Contractual Services	556,831	1,602,097	34.8%	3,583,528	15.5%
Transfers To Other Funds	3,282,941	2,608,568	125.9%	4,209,552	78.0%
Total Expenditures	***3,839,772***	***4,210,665***	***91.2%***	***7,793,080***	***49.3%***
Total Unallocated Funds	***11,534,818***	***6,450,313***	***178.8%***	***6,605,269***	***174.6%***

FUND SUMMARY

- Dependent on timing and type of development, road impact fees are 67.3% over last year.
- Higher interest rates are resulting in additional interest income.

Facilities Tax Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$10,441,436	$6,976,276	149.7%	$10,441,436	100.0%
Interest Income	79,376	(30,789)	(257.8%)	18,821	421.7%
Facilities Taxes	3,666,655	3,165,017	115.8%	3,833,871	95.6%
Total Revenues	***14,187,467***	***10,110,504***	***140.3%***	***14,294,128***	***99.3%***
Expenditures:					
Utilities	0	3,066	0.0%	0	0.0%
Contractual Services	435,677	1,865	23,360.7%	0	0.0%
Repair & Maintenance Services	0	33,590	0.0%	20,000	0.0%
Capital (>$25,000)	354,505	91,568	387.1%	5,030,500	7.0%
Other Expenditures	0	30,258	0.0%	188,600	0.0%
Total Expenditures	***790,182***	***160,347***	***492.8%***	***5,239,100***	***15.1%***
Total Unallocated Funds	***13,397,285***	***9,950,157***	***134.6%***	***9,055,028***	***148.0%***

FUND SUMMARY

- Dependent on timing and type of development, facilities taxes are almost 15.8% over last year.
- Higher interest rates are resulting in additional interest income.
- Most of the capital budgeted in 2018 is for fire station 7 construction that has not yet occurred.

County Facilities Tax Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$3,488,072	$0	0.0%	$3,488,072	100.0%
Interest Income	22,877	0	0.0%	0	0.0%
Facilities Taxes	749,111	0	0.0%	1,250,000	59.9%
Transfer from Capital Projects Fund	635,074	0	0.0%	635,074	100.0%
Total Revenues	***4,895,134***	***0***	***0.0%***	***5,373,146***	***91.1%***
Expenditures:					
Transfers To Other Funds	300,000	0	0.0%	300,000	100.0%
Capital (>$25,000)	0	0	0.0%	600,000	0.0%
Total Expenditures	***300,000***	***0***	***0.0%***	***900,000***	***33.3%***
Total Unallocated Funds	***4,595,134***	***0***	***0.0%***	***4,473,146***	***102.7%***

FUND SUMMARY

- This fund was created to account for facilities taxes received from the County.
- $300,000 was transferred to the water and sewer fund for partial funding of the Henpeck Lane sanitary sewer extension. Other expenditures budgeted for this fund are costs attributable to signalization and pedestrian enhancements next to Franklin High School as part of the Phase I CIP project of Hillsboro Road - Phase II.

Stormwater Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$4,687,695	$4,873,735	96.2%	$4,687,695	100.0%
Building Permits & Fees	44,343	128,919	34.4%	86,700	51.1%
Interest Income	12,708	(13,405)	(94.8%)	10,200	124.6%
Stormwater Fees	1,803,643	1,797,325	100.4%	2,598,344	69.4%
Other Revenues	55,700	18,208	305.9%	82,595	67.4%
Total Revenues	***6,604,089***	***6,804,782***	***97.1%***	***7,465,534***	***88.5%***
Expenditures:					
Salaries & Wages	769,811	662,559	116.2%	1,038,796	74.1%
Employee Benefits	345,737	315,321	109.6%	513,549	67.3%
Utilities	26,996	31,417	85.9%	61,978	43.6%
Contractual Services	241,042	151,952	158.6%	168,104	143.4%
Repair & Maintenance Services	73,886	87,542	84.4%	126,235	58.5%
Debt Service & Lease Payments	79,755	85,182	93.6%	170,366	46.8%
Capital (>$25,000)	477,195	396,161	120.5%	3,605,000	13.2%
Other Expenditures	307,930	322,022	95.6%	535,637	57.5%
Total Expenditures	***2,322,352***	***2,052,156***	***113.2%***	***6,219,665***	***37.3%***
Total Unallocated Funds	***4,281,737***	***4,752,626***	***90.1%***	***1,245,869***	***343.7%***

FUND SUMMARY

- Stormwater fees are equivalent to last year.
- Higher interest rates are resulting in additional interest income.

Drug Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$541,205	$515,642	105.0%	$541,205	100.0%
Interest Income	5,725	2,217	258.2%	2,265	252.7%
Drug Fines Received	47,185	47,555	99.2%	77,373	61.0%
Other Revenues	143,121	51,785	276.4%	145,530	98.3%
Total Revenues	***737,236***	***617,199***	***119.4%***	***766,373***	***96.2%***
Expenditures:					
Capital (>$25,000)	69,364	0	0.0%	151,146	45.9%
Other Expenditures	105,796	115,758	91.4%	108,500	97.5%
Total Expenditures	***175,160***	***115,758***	***151.3%***	***259,646***	***67.5%***
Total Unallocated Funds	***562,076***	***501,441***	***112.1%***	***506,727***	***110.9%***

FUND SUMMARY

- Drug fine collections are almost equivalent to last year. This revenue is dependent on court actions.

Hotel/Motel Tax Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$3,827,284	$2,634,109	145.3%	$3,827,284	100.0%
Interest Income	25,035	7,280	343.9%	4,000	625.9%
Hotel/Motel Taxes	3,112,058	2,660,216	117.0%	3,594,227	86.6%
Total Revenues	***6,964,377***	***5,301,605***	***131.4%***	***7,425,511***	***93.8%***
Expenditures:					
Contractual Services	29,292	17,895	163.7%	140,000	20.9%
Repair & Maintenance Services	600	1,551	38.7%	0	0.0%
Transfers To Other Funds	982,016	1,112,450	88.3%	1,112,812	88.2%
Capital (>$25,000)	285,191	311,006	91.7%	559,286	51.0%
Other Expenditures	562,438	667,344	84.3%	895,557	62.8%
Total Expenditures	***1,859,537***	***2,110,246***	***88.1%***	***2,707,655***	***68.7%***
Total Unallocated Funds	***5,104,840***	***3,191,359***	***160.0%***	***4,717,856***	***108.2%***

FUND SUMMARY

- In FY 2018, the City of Franklin along with the City of Brentwood and Williamson County are jointly performing audits of taxes due from hotels/motels located within its jurisdictions. Most collections have been received.
- Hotel/Motel tax collections are 17.0% higher than last year.

In Lieu of Parkland Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$4,584,138	$4,425,966	103.6%	$4,584,138	100.0%
Interest Income	24,369	16,289	149.6%	20,000	121.8%
In Lieu of Parkland Fees	732,360	137,454	532.8%	2,387,178	30.7%
Total Revenues	***5,340,867***	***4,579,709***	***116.6%***	***6,991,316***	***76.4%***
Expenditures:					
Capital (>$25,000)	505,402	0	0.0%	505,402	100.0%
Total Expenditures	***505,402***	***0***	***0.0%***	***505,402***	***100.0%***
Total Unallocated Funds	***4,835,465***	***4,579,709***	***105.6%***	***6,485,914***	***74.6%***

FUND SUMMARY

- $505,402 was used for the first of three payments for the acquisition of 80 acres of parkland along Carothers South Road in southeast Franklin.

Transit Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$374,758	$374,758	100.0%	$374,758	100.0%
Grants	70,967	1,411,652	5.0%	1,640,436	4.3%
Interest Income	4,152	5,053	82.2%	3,200	129.7%
Transit Fares	93,707	85,415	109.7%	144,500	64.8%
Transfer From General Fund	892,993	521,945	171.1%	892,993	100.0%
Other Revenues	7,200	7,300	98.6%	9,700	74.2%
Total Revenues	***1,443,777***	***2,406,123***	***60.0%***	***3,065,587***	***47.1%***
Expenditures:					
Capital (>$25,000)	0	245,861	0.0%	330,000	0.0%
Other Expenditures	1,565,886	1,717,151	91.2%	2,360,829	66.3%
Total Expenditures	***1,565,886***	***1,963,012***	***79.8%***	***2,690,829***	***58.2%***
Total Unallocated Funds	***(122,109)***	***443,111***	***(27.6%)***	***374,758***	***(32.6%)***

FUND SUMMARY

- The City has transferred $892,993, the total budgeted, to the Transit Fund as grant revenues are at 5% of budget. Transit is working to determine grant reimbursements that will reduce the transfer amount and the fund deficit.

CDBG Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$86,263	$85,185	101.3%	$86,263	100.0%
Grants	219,088	169,199	129.5%	250,000	87.6%
Interest Income	1,884	764	246.6%	300	627.9%
Total Revenues	***307,235***	***255,148***	***120.4%***	***336,563***	***91.3%***
Expenditures:					
Contractual Services	87,808	64,483	136.2%	152,500	57.6%
Repair & Maintenance Services	95,000	70,000	135.7%	120,000	79.2%
Other Expenditures	36,281	34,545	105.0%	1,500	2,418.7%
Total Expenditures	***219,089***	***169,028***	***129.6%***	***274,000***	***80.0%***
Total Unallocated Funds	***88,146***	***86,120***	***102.4%***	***62,563***	***140.9%***

FUND SUMMARY

- 80% of budgeted expenditures have been incurred. Grant revenues offset the expenditures incurred.

Debt Service Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$90,197	$5,000	1,804.0%	$90,197	100.0%
Property Taxes	9,104,243	6,710,855	135.7%	8,733,490	104.2%
Interest Income	13,036	4,355	299.4%	5,000	260.7%
Rebate on BAB/RZEDB Bonds	843,028	846,359	99.6%	904,051	93.3%
Transfer from Sanitation Fund	99,590	8,723	1,141.7%	305,802	32.6%
Transfer from Road Impact Fund	1,782,941	2,608,568	68.3%	2,709,552	65.8%
Transfer from Hotel/Motel Tax Fund	982,016	1,112,450	88.3%	1,113,103	88.2%
Transfer from Water & Sewer Fund	200,000	200,000	100.0%	200,000	100.0%
Total Revenues	***13,115,051***	***11,496,310***	***114.1%***	***14,061,195***	***93.3%***
Expenditures:					
Debt Service & Lease Payments	11,638,310	11,547,689	100.8%	13,965,998	83.3%
Total Expenditures	***11,638,310***	***11,547,689***	***100.8%***	***13,965,998***	***83.3%***
Total Unallocated Funds	***1,476,741***	***(51,379)***	***(2,874.1%)***	***95,197***	***1,551.2%***

FUND SUMMARY

- The Debt Service Fund shows a current year surplus of almost $1.5 million. The surplus will decrease as it is used to fund debt service payments due in the 4th quarter.
- Property taxes are higher in 2018 as a greater amount is assigned to the Debt Service Fund following issuance of the 2017 Public Improvement Bonds on 6/27/2017.

Capital Projects Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Beginning Fund Balance	$15,508,919	($7,887,886)	(196.6%)	$0	0.0%
Property Taxes	0	623,685	0.0%	0	0.0%
Grants	3,291,439	1,672,757	196.8%	0	0.0%
Interest Income	110,325	0	0.0%	0	0.0%
Facilities Taxes	0	871,880	0.0%	0	0.0%
Transfer from Road Impact Fund	1,500,000	0	0.0%	0	0.0%
Other Revenues	806,069	2,324,640	34.7%	0	0.0%
Total Revenues	***21,216,752***	***(2,394,924)***	***(885.9%)***	***0***	***0.0%***
Expenditures:					
Contractual Services	56,566	174,299	32.5%	0	0.0%
Repair & Maintenance Services	770,893	0	0.0%	0	0.0%
Debt Service & Lease Payments	1,250	0	0.0%	0	0.0%
Transfers To Other Funds	635,074	0	0.0%	0	0.0%
Capital (>$25,000)	5,799,879	3,259,426	177.9%	0	0.0%
Other Expenditures	5,959,846	4,627,015	128.8%	0	0.0%
Total Expenditures	***13,223,508***	***8,060,740***	***164.0%***	***0***	***0.0%***
Total Unallocated Funds	***7,993,244***	***(10,455,664)***	***(76.4%)***	***0***	***0.0%***

FUND SUMMARY

- The FY 2018 beginning fund balance includes the proceeds remaining from the $23 million bond issued in June 2017.

Water and Sewer Fund

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$221,610	$53,497	414.2%	$92,600	239.3%
Transfer from Water & Sewer Fund	0	(60,781)	0.0%	0	0.0%
Customer Service	22,099,191	21,529,277	102.6%	29,750,930	74.3%
Other Revenues	556,986	1,010,525	55.1%	326,800	170.4%
Total Revenues	***22,877,787***	***22,532,518***	***101.5%***	***30,170,330***	***75.8%***
Expenditures:					
Salaries & Wages	3,184,405	2,900,998	109.8%	4,450,128	71.6%
Employee Benefits	1,577,891	1,314,712	120.0%	2,007,807	78.6%
Utilities	1,198,449	1,111,287	107.8%	1,508,321	79.5%
Contractual Services	1,461,055	495,292	295.0%	535,625	272.8%
Repair & Maintenance Services	425,697	319,681	133.2%	349,500	121.8%
Debt Service & Lease Payments	1,975,821	1,454,047	135.9%	2,123,443	93.0%
Transfers To Other Funds	200,000	(4,115,223)	(4.9%)	200,000	100.0%
Capital (>$25,000)	10,664,484	3,872,290	275.4%	5,857,000	182.1%
Other Expenditures	7,514,785	7,640,050	98.4%	8,888,341	84.5%
Total Expenditures	***28,202,587***	***14,993,134***	***188.1%***	***25,920,165***	***108.8%***
Total Unallocated Funds	***(5,324,800)***	***7,539,384***	***(70.6%)***	***4,250,165***	***(125.3%)***

FUND SUMMARY

- Customer service revenue is equivalent to last year.
- The Water and Sewer Fund, including capital projects, is in a current year deficit of $(5,324,800). The primary factors are water plant improvements budgeted to come from prior year surplus funds, and costs for the Southeast Interceptor emergency sewer repair.

Water and Sewer Development Fees

	Current YTD Actuals	Prior YTD Actual	Percent Current YTD to Prior YTD	Budget	Percent Current YTD to Budget
Revenues					
Interest Income	$82,410	$83,727	98.4%	$0	0.0%
Transfer from Water & Sewer Fund	0	(4,315,223)	0.0%	0	0.0%
Customer Service	32,000	15,617	204.9%	0	0.0%
Access Fees	2,559,694	2,142,187	119.5%	0	0.0%
System Development Fees	1,876,193	1,688,639	111.1%	0	0.0%
Other Revenues	12,314	13,201,991	0.1%	0	0.0%
Total Revenues	***4,562,611***	***12,816,938***	***35.6%***	***0***	***0.0%***
Expenditures:					
Contractual Services	(115,414)	21,000	(549.6%)	0	0.0%
Debt Service & Lease Payments	2,233,994	2,224,087	100.4%	0	0.0%
Transfers To Other Funds	0	(60,781)	0.0%	0	0.0%
Capital (>$25,000)	1,756,684	6,764,426	26.0%	0	0.0%
Other Expenditures	(108)	164	(65.6%)	0	0.0%
Total Expenditures	***3,875,156***	***8,948,896***	***43.3%***	***0***	***0.0%***
Total Unallocated Funds	***687,455***	***3,868,042***	***17.8%***	***0***	***0.0%***

FUND SUMMARY

- Dependent on timing and type of development, water/sewer development fees are 15.7% higher than last year.

On the Horizon

July

Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August

Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

September

Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July 2018	No Budget & Finance Committee Meeting
Thursday, August 9, 2018	Budget & Finance Committee Meeting
Thursday, September 13, 2018	Budget & Finance Committee Meeting

Finance Department

109 3rd Avenue South

Tel 615-791-1457

Fax 615-791-1955

franklintn.gov

City of Franklin

Monthly Reports for June 2018

EXECUTIVE SUMMARY

Schedule 1: Local Sales Tax

The local sales tax remittance from the State of Tennessee for March 2018 sales (received by the City in May 2018) was $2,938,636 compared to $2,812,649 for the same month in 2017, an increase of $125,987 or 4.5%. During the same period, the State of Tennessee sales tax collections were up 4.7% year-to-date from the prior year.
For budget comparisons, the City anticipated collections of $3,232,309 for March 2018, a difference of $293,673 less, or -9.1%.

Schedule 2: Building Permits

2018 year-to-date is more than 2017 by 5.0%, and compared to 2018 budget is higher by 17.6%.

Schedule 3: Road Impact Fees *

2018 year-to-date compared to 2017 is 71.6% higher, and compared to 2018 budget is higher by 28.1%.

Schedule 4: Facilities Tax (City) *

2018 year-to-date compared to 2017 is 19.4% higher, and compared to 2018 budget is higher by 32.8%.

Schedule 5: Facilities Tax (County) *

2018 year-to-date compared to 2017 is 10.1% less, and compared to 2018 budget is 13.4% less.

Schedule 6: Gasoline Taxes (State Street Aid Fund)

The gasoline tax remittance from the State of Tennessee for March 2018 sales (received by the City in May 2018) was $214,223 compared to $165,657 for the same month in 2017, an increase of $48,566 or 29.3%.
For budget comparisons, the City anticipated collections of $199,655 for March 2018, a difference of $14,568 more, or 7.3%.

Schedule 7: Conference Center

The City's ½ share of the income for April was $28,028. In April 2017, the City's ½ share of the income was $36,074.

*** Fees collected from Road Impact and Facilities Tax assessments are one time revenues used to fund infrastructure improvements and are highly dependent upon timing of development.**

City of Franklin

Finance Department - Monthly Reports

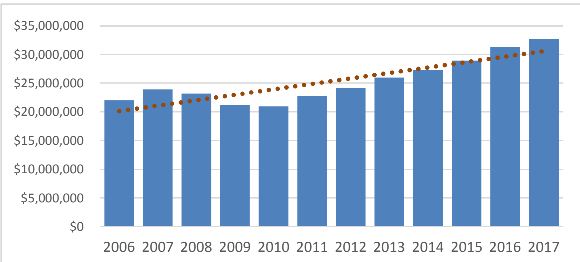
Schedule 1:	**Local Sales Tax**	**Fund**	**General**	**Account:**	**110-31300-00000**

Summary: Tennessee Code Annotated 67-6-702 authorizes the levy of a local sales tax. The maximum rate authorized is 2.75%. The current rate is 2.25%. The tax is applied only to the first $1,600 of any single article of personal property. The City receives 1/2 of the 2.25% rate collected within the City. Williamson County receives the other 1/2, plus an administrative fee of 1% of the City's 1/2 of the tax.

Monthly Report for June 2018: The local sales tax remittance from the State of Tennessee for March 2018 sales (received by the City in May 2018) was $2,938,636 compared to $2,812,649 for the same month in 2017, an increase of $125,987 or 4.5%. During the same period, the State of Tennessee sales tax collections were up 4.7% year-to-date from the prior year.

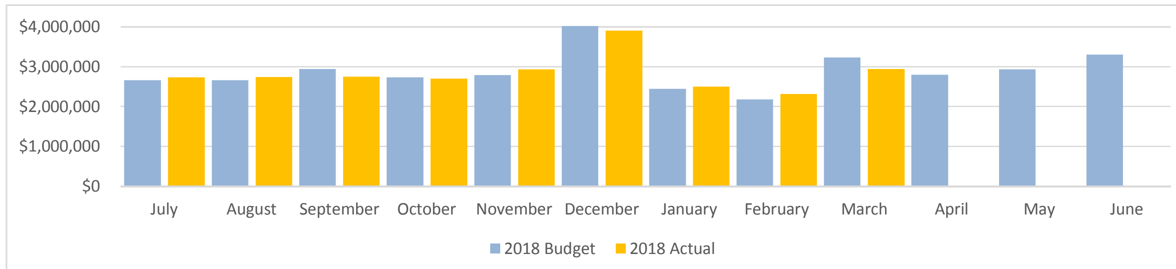
For budget comparisons, the City anticipated collections of $3,232,309 for March 2018, a difference of $293,673 less, or -9.1%.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
2006	$22,005,703	$2,219,473	11.2%
2007	$23,885,264	$1,879,561	8.5%
2008	$23,185,434	($699,830)	-2.9%
2009	$21,152,554	($2,032,880)	-8.8%
2010	$20,969,821	($182,733)	-0.9%
2011	$22,720,666	$1,750,845	8.3%
2012	$24,197,413	$1,476,747	6.5%
2013	$25,995,733	$1,798,320	7.4%
2014	$27,254,742	$1,259,009	4.8%
2015	$28,943,994	$1,689,252	6.2%
2016	$31,309,366	$2,365,372	8.2%
2017	$32,694,268	$1,384,902	4.4%
Average Increase (Decrease)		**$ 1,075,670**	**4.4%**

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$2,546,087	$2,660,661	$2,735,435	$189,348	7.4%	$74,774	2.8%
August	$2,547,776	$2,662,426	$2,739,864	$192,088	7.5%	$77,438	2.9%
September	$2,817,429	$2,944,109	$2,748,694	($68,735)	-2.4%	($195,415)	-6.6%
October	$2,616,784	$2,734,539	$2,699,862	$83,078	3.2%	($34,677)	-1.3%
November	$2,666,949	$2,786,962	$2,934,718	$267,769	10.0%	$147,756	5.3%
December	$3,870,492	$4,044,664	$3,902,304	$31,812	0.8%	($142,360)	-3.5%
January	$2,338,925	$2,444,176	$2,503,594	$164,669	7.0%	$59,418	2.4%
February	$2,186,682	$2,180,041	$2,315,764	$129,082	5.9%	$135,723	6.2%
March	$2,812,649	$3,232,309	$2,938,636	$125,987	4.5%	($293,673)	-9.1%
April	$2,798,951	$2,799,152					
May	$2,651,183	$2,934,465					
June	$2,840,361	$3,298,976					
	$32,694,268	**$34,722,480**	**$25,518,871**	**$123,900**	**4.6%**	**($19,002)**	**-0.7%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*
				$1,115,098		**($171,016)**	
				Total		*Total*	

City of Franklin

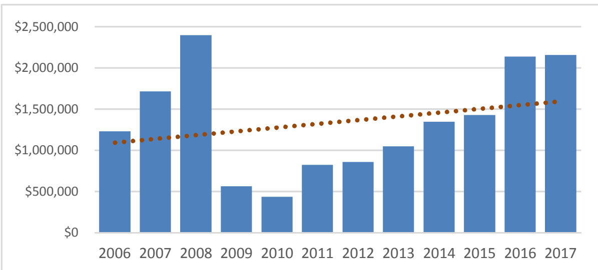
Finance Department - Monthly Reports

Schedule 2:	Building Permits	Fund	General Fund	Account:	110-32120-00000

Summary: A part of General Fund Revenues, these fees are paid to the City to offset and pay for the staffing costs borne by the City to extend services due to construction growth. There has been growth in both residential and commercial sides of development. This revenue has been difficult to predict by month because permits are often obtained and fees paid in advance of construction.

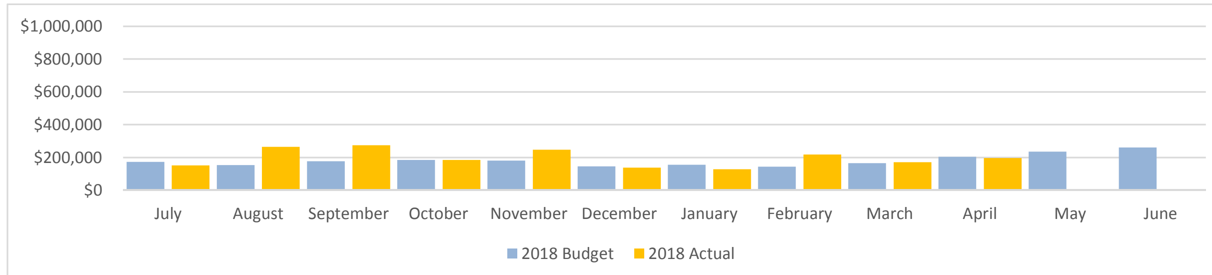
Monthly Report for June 2018: 2018 year-to-date is more than 2017 by 5.0%, and compared to 2018 budget is higher by 17.6%.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
2006	$1,228,209	$163,948	15.4%
2007	$1,710,865	$482,656	39.3%
2008	$2,395,129	$684,264	40.0%
2009	$559,112	($1,836,017)	-76.7%
2010	$430,901	($128,211)	-22.9%
2011	$820,111	$389,210	90.3%
2012	$855,409	$35,298	4.3%
2013	$1,046,947	$191,538	22.4%
2014	$1,343,978	$297,031	28.4%
2015	$1,426,188	$82,210	6.1%
2016	$2,136,322	$710,134	49.8%
2017	$2,153,262	$16,940	0.8%
Average Increase (Decrease)		**$ 90,750**	**16.4%**

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$121,004	$171,447	$151,308	$30,304	25.0%	($20,139)	-11.7%
August	$210,112	$152,281	$263,053	$52,941	25.2%	$110,772	72.7%
September	$180,020	$176,735	$272,790	$92,770	51.5%	$96,055	54.3%
October	$262,602	$183,206	$184,369	($78,233)	-29.8%	$1,163	0.6%
November	$135,926	$179,432	$245,485	$109,559	80.6%	$66,053	36.8%
December	$210,630	$144,199	$135,762	($74,868)	-35.5%	($8,437)	-5.9%
January	$123,906	$154,086	$127,933	$4,027	3.3%	($26,153)	-17.0%
February	$307,583	$143,068	$217,391	($90,192)	-29.3%	$74,323	51.9%
March	$204,555	$163,297	$170,457	($34,098)	-16.7%	$7,160	4.4%
April	$115,135	$202,449	$195,749	$80,614	70.0%	($6,700)	-3.3%
May	$102,657	$235,037					
June	$179,132	$259,559					
	$2,153,262	**$2,164,796**	**$1,964,297**	**$9,282**	**5.0%**	**$29,410**	**17.6%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*
				$92,824		**$294,097**	
				Total		*Total*	

City of Franklin

Finance Department - Monthly Reports

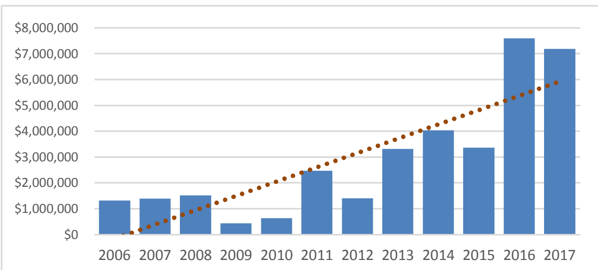
Schedule 3:	Road Impact Fees	Fund	Road Impact	Account:	128-(32800-32804)-00000

Summary: The Road Impact Fund is a special revenue fund created for the accounting of expenditures in accord with City Ordinance 88-13 on the proceeds of road impact fees from new development. These funds can be used to pay for new arterial roads, directly or through payment of debt service on bonds associated with the projects. After completing an update of the major thoroughfare plan, the City re-examined the structure of road impact fees which was approved in April 2011. Effective 7/1/2017, collections pertaining to collector roads within the 4 quadrants of Franklin may begin. This report will be updated to show those collections when they occur.

Monthly Report for June 2018: 2018 year-to-date compared to 2017 is 71.6% higher, and compared to 2018 budget is higher by 28.1%.

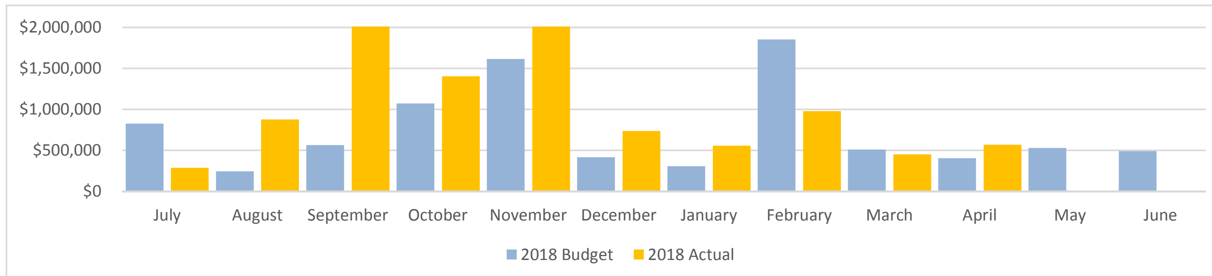
Note: Fees collected from Road Impact and Facilities Tax assessments are one time revenues used to fund infrastructure improvements and are highly dependent upon timing of development.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
2006	$1,309,544	$9,259	0.7%
2007	$1,381,660	$72,116	5.5%
2008	$1,509,963	$128,303	9.3%
2009	$426,916	($1,083,047)	-71.7%
2010	$629,194	$202,278	47.4%
2011	$2,466,846	$1,837,652	292.1%
2012	$1,391,645	($1,075,201)	-43.6%
2013	$3,306,075	$1,914,430	137.6%
2014	$4,021,752	$715,677	21.6%
2015	$3,358,431	($663,321)	-16.5%
2016	$7,586,724	$4,228,293	125.9%
2017	$7,180,150	($406,574)	-5.4%
Average Increase (Decrease)		$ 489,989	41.9%

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$243,473	$822,112	$286,769	$43,296	17.8%	($535,343)	-65.1%
August	$555,634	$241,405	$875,735	$320,101	57.6%	$634,330	262.8%
September	$296,383	$560,570	$2,088,489	$1,792,106	604.7%	$1,527,919	272.6%
October	$1,292,910	$1,071,561	$1,402,083	$109,173	8.4%	$330,522	30.8%
November	$235,324	$1,611,763	$2,038,926	$1,803,602	766.4%	$427,163	26.5%
December	$1,031,651	$412,251	$733,067	($298,584)	-28.9%	$320,816	77.8%
January	$327,710	$305,947	$554,671	$226,961	69.3%	$248,724	81.3%
February	$1,112,247	$1,851,036	$975,568	($136,679)	-12.3%	($875,468)	-47.3%
March	$526,916	$508,696	$448,969	($77,947)	-14.8%	($59,727)	-11.7%
April	$189,294	$400,389	$566,320	$377,026	199.2%	$165,931	41.4%
May	$169,647	$526,492					
June	$1,198,961	$487,778					
	$7,180,150	**$8,800,000**	**$9,970,597**	**$415,906**	**71.6%**	**$218,487**	**28.1%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*
				$4,159,055		**$2,184,867**	
				Total		*Total*	

City of Franklin

Finance Department - Monthly Reports

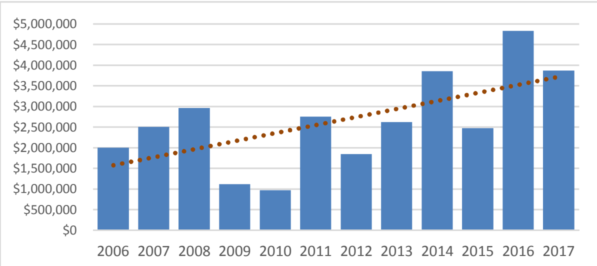
Schedule 4:	Facilities Tax (City)	Fund	Facilities Tax	Account:	130-31600-00000

Summary: A special revenue fund used to account for the proceeds authorized by a private act of the Tennessee General Assembly of 1987 for the City to levy and collect a privilege tax on new development to provide that new development contribute its fair share of providing new public facilities made necessary by growth. Such taxes may be expended ***only*** on police, fire, sanitation, and parks and recreation.

Monthly Report for June 2018: 2018 year-to-date compared to 2017 is 19.4% higher, and compared to 2018 budget is higher by 32.8%.

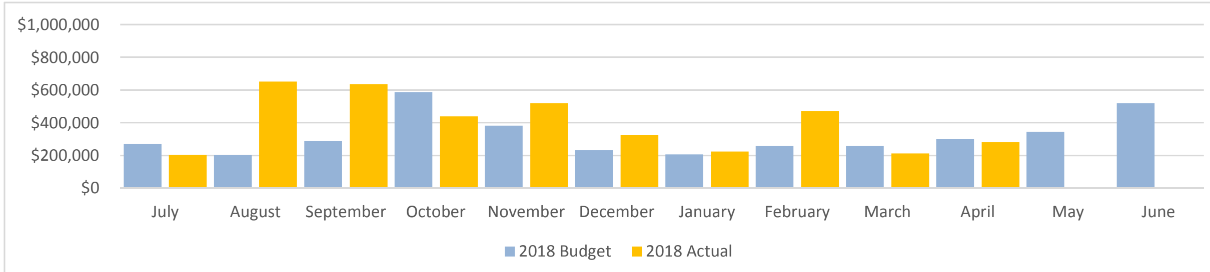
Note: Fees collected from Road Impact and Facilities Tax assessments are one time revenues used to fund infrastructure improvements and are highly dependent upon timing of development.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
2006	$2,000,000	$145,836	7.9%
2007	$2,500,000	$500,000	25.0%
2008	$2,956,284	$456,284	18.3%
2009	$1,115,914	($1,840,370)	-62.3%
2010	$963,748	($152,166)	-13.6%
2011	$2,748,927	$1,785,179	185.2%
2012	$1,845,690	($903,237)	-32.9%
2013	$2,617,339	$771,649	41.8%
2014	$3,848,783	$1,231,444	47.0%
2015	$2,468,473	($1,380,310)	-35.9%
2016	$4,827,968	$2,359,495	95.6%
2017	$3,864,453	($963,515)	-20.0%
Average Increase (Decrease)		**$167,524**	**21.4%**

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$221,540	$269,353	$202,536	($19,004)	-8.6%	($66,817)	-24.8%
August	$299,262	$200,233	$649,402	$350,140	117.0%	$449,169	224.3%
September	$242,795	$287,720	$635,277	$392,482	161.7%	$347,557	120.8%
October	$663,512	$586,081	$437,274	($226,238)	-34.1%	($148,807)	-25.4%
November	$176,544	$380,276	$516,609	$340,065	192.6%	$136,333	35.9%
December	$432,916	$230,852	$321,669	($111,247)	-25.7%	$90,817	39.3%
January	$180,975	$204,276	$222,051	$41,076	22.7%	$17,775	8.7%
February	$575,155	$257,463	$470,643	($104,512)	-18.2%	$213,180	82.8%
March	$372,318	$256,795	$211,194	($161,124)	-43.3%	($45,601)	-17.8%
April	$140,530	$299,099	$279,747	$139,217	99.1%	($19,352)	-6.5%
May	$119,466	$344,420					
June	$439,440	$517,303					
	$3,864,453	**$3,833,871**	**$3,946,402**	**$64,086**	**19.4%**	**$97,425**	**32.8%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*
				$640,855		**$974,254**	
				Total		*Total*	

City of Franklin

Finance Department - Monthly Reports

Schedule 5:	Facilities Tax (County)	Fund	Facilities Tax (County)	Account:	132-31600-00000

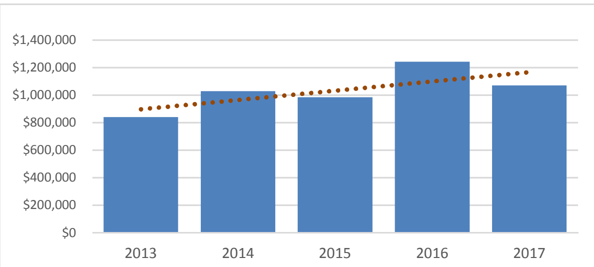
Summary: City's share of Williamson county's Adequate School Facilities Tax. 30% of the proceeds are distributed to the incorporated cities within the county, and an additional 30% is divided pro rata among the incorporated cities based on population in the last decennia census. All funds are to be used for the purpose of providing public facilities, the need for which is reasonably related to new development. The County uses 100% of its amount for public school purposes.

Monthly Report for June 2018: 2018 year-to-date compared to 2017 is 10.1% less, and compared to 2018 budget is 13.4% less.

Note: Fees collected from Road Impact and Facilities Tax assessments are one time revenues used to fund infrastructure improvements and are highly dependent upon timing of development.

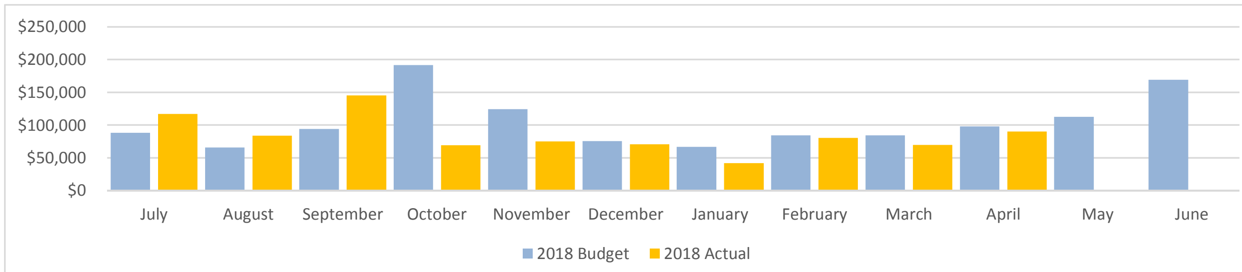
Note: Recorded in Capital Projects Fund beginning in FY 2011 (as per Resolution 2010-69). In June 2017, the County Facilities Tax Fund was created. Funds remaining in the Capital Projects Fund were transferred to the new fund.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
2006	County Facilities Tax receipts began in FY 2012.		
2007			
2008			
2009			
2010			
2011			
2012	$672,961	$672,961	100.0%
2013	$838,523	$165,562	24.6%
2014	$1,026,933	$188,410	22.5%
2015	$982,605	($44,328)	-4.3%
2016	$1,241,241	$258,636	26.3%
2017	$1,068,030	($173,211)	-14.0%
Average Increase (Decrease)		**$ 178,005**	**11.0%**

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$105,603	$87,820	$116,590	$10,987	10.4%	$28,770	32.8%
August	$81,772	$65,284	$83,476	$1,704	2.1%	$18,192	27.9%
September	$99,841	$93,809	$144,825	$44,984	45.1%	$51,016	54.4%
October	$86,075	$191,087	$68,704	($17,371)	-20.2%	($122,383)	-64.0%
November	$72,223	$123,985	$74,568	$2,345	3.2%	($49,417)	-39.9%
December	$84,727	$75,267	$70,293	($14,434)	-17.0%	($4,974)	-6.6%
January	$103,741	$66,602	$41,526	($62,215)	-60.0%	($25,076)	-37.7%
February	$65,668	$83,944	$80,051	$14,383	21.9%	($3,893)	-4.6%
March	$172,230	$83,726	$69,078	($103,152)	-59.9%	($14,648)	-17.5%
April	$61,077	$97,519	$89,893	$28,816	47.2%	($7,626)	-7.8%
May	$62,194	$112,295					
June	$72,879	$168,662					
	$1,068,030	**$1,250,000**	**$839,004**	**($9,395)**	**-10.1%**	**($13,004)**	**-13.4%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*
				($93,953)		**($130,039)**	
				Total		*Total*	

City of Franklin

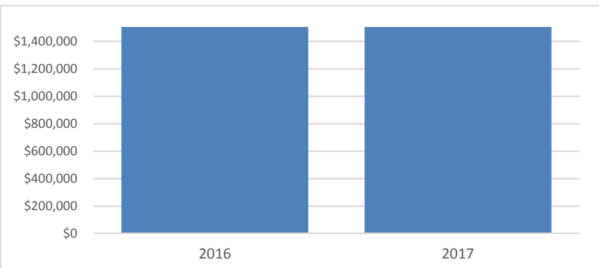
Finance Department - Monthly Reports

Schedule 6:	Gasoline Tax	Fund	Street Aid	Account:	121-33220-00000

Summary: As part of Street Aid Fund Revenues, the City receives a share of the state shared gasoline tax. Gas taxes increased effective July 1, 2017 as part of the IMPROVE Act to help fund state road projects. The tax increased by 4 cents on July 1, and will increase by 1 cent for each of the next two years. The tax on diesel will increase a total of 10 cents over the next 3 years.

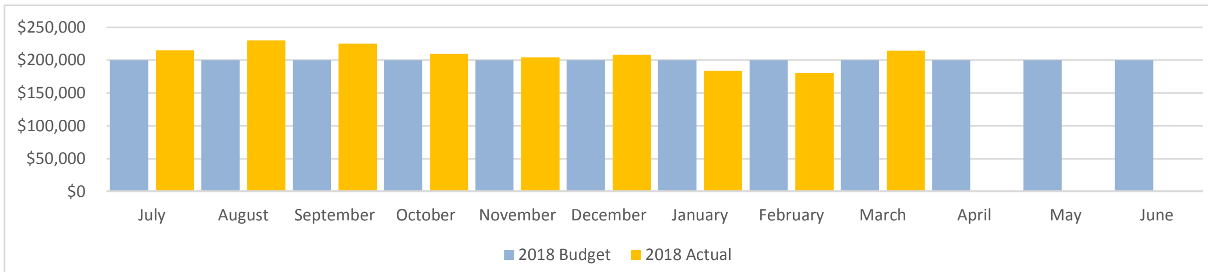
Monthly Report for June 2018: The gasoline tax remittance from the State of Tennessee for March 2018 sales (received by the City in May 2018) was $214,223 compared to $165,657 for the same month in 2017, an increase of $48,566 or 29.3%.
For budget comparisons, the City anticipated collections of $199,655 for March 2018, a difference of $14,568 more, or 7.3%.

Yearly Summary



Fiscal Year	Amount	$ Inc./ (Dec.) from Prior Year	% Inc./ (Dec.) from Prior Year
	Increase in Gas Tax began July 2017.		
2016	$1,959,796		
2017	$1,971,070	$11,274	0.6%

FY18 Month by Month Summary



Month	2017 Actual	2018 Budget	2018 Actual	$ Inc./(Dec.) from 2017 Actual	% Inc./(Dec.) from 2017 Actual	$ Inc./(Dec.) from 2018 Budget	% Inc./(Dec.) from 2018 Budget
July	$163,558	$199,655	$214,667	$51,109	31.2%	$15,012	7.5%
August	$172,793	$199,655	$229,773	$56,980	33.0%	$30,118	15.1%
September	$153,463	$199,655	$224,891	$71,428	46.5%	$25,236	12.6%
October	$181,330	$199,655	$209,165	$27,835	15.4%	$9,510	4.8%
November	$155,662	$199,655	$204,013	$48,351	31.1%	$4,358	2.2%
December	$173,742	$199,655	$207,853	$34,111	19.6%	$8,198	4.1%
January	$146,529	$199,655	$183,474	$36,945	25.2%	($16,181)	-8.1%
February	$143,550	$199,655	$180,219	$36,669	25.5%	($19,436)	-9.7%
March	$165,657	$199,655	$214,223	$48,566	29.3%	$14,568	7.3%
April	$173,105	$199,655					
May	$165,185	$199,655					
June	$176,496	$199,655					
	$1,971,070	**$2,395,855**	**$1,868,278**	**$45,777**	**28.3%**	**$7,932**	**4.0%**
	Total	*Total*	*Total*	*Average*	*Average*	*Average*	*Average*

MARRIOTT

May 15, 2018

Kristine Tallent ACA/CFO
City of Franklin, Tennessee
109 Third Avenue South
Franklin, TN 37064

Dear Ms. Tallent:

Please find enclosed the Consolidated Profit and Loss Statement for the Cool Springs Conference Center for period end April 30, 2018.

A summary of the financial and distribution date is as follows:

COOL SPRINGS CONFERENCE CENTER
April, 2018

	CURRENT MONTH			YEAR-TO-DATE		
	ACTUAL	BUDGET	LAST YR	ACTUAL	BUDGET	LAST YR
GROSS REVENE	685,533	722,653	642,477	6,240,952	5,805,801	5,790,800
HOUSE PROFIT	106,491	111,651	121,997	874,912	505,446	636,360
Less: FIXED EXPENSES	16,159	18,173	17,725	202,779	190,692	190,925
NET INCOME	90,332	93,478	104,273	672,134	314,753	445,435
Less: FF&E RESERVE 5%	34,276	36,133	32,124	312,048	290,290	289,540
NET CASH FLOW	56,056	57,345	72,148	360,086	24,463	155,895

TOTAL CURRENT BALANCE DUE TO OWNERS	$56,056
TOTAL DUE TO/(FROM) CITY OF FRANKLIN	$28,028
TOTAL DUE TO/(FROM) WILLIAMSON COUNTY	$28,028

The financial statements for the Cool Springs Conference Center, subject to routine year-end audit and adjustments, is true and correct in all material respects to the best of my knowledge.

Sincerely,

Randy Hansen
Controller

Michael Bennett
General Manager

FRANKLIN MARRIOTT COOL SPRINGS
700 COOL SPRINGS BLVD
FRANKLIN, TENNESSEE 37067 USA
T: 615.261.6100
MARRIOTT.COM/BNACS