

**TITLE 5****MUNICIPAL FINANCE AND TAXATION****CHAPTER**

1. MISCELLANEOUS.
2. REAL PROPERTY TAXES.
3. MERCHANT'S AD VALOREM TAXES.
4. PRIVILEGE TAXES GENERALLY.
5. WHOLESALE BEER TAX.
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**CHAPTER 1****MISCELLANEOUS****SECTION**

- 5-101. Official depository for city funds.
- 5-102. Fiscal year.
- 5-103. Processing fee, charges for those paying with cards or checks.

**5-101. Official depository for city funds.** The F&M Bank is hereby designated as the official depository for all municipal funds. (1964 Code, § 6-501, as amended by Ord. #2016-003, May 2016)

**5-102. Fiscal year.** The fiscal year for the City of Adams shall be the period beginning July 1 each calendar year and extending through June 30 of the succeeding calendar year. (1964 Code, § 6-502)

**5-103. Processing fee, charges for those paying with cards or checks.** (1) The City of Adams is hereby establishing a processing fee of five percent (5%) from customers using credit or debit cards as a method of payment for taxes and other services.

(2) The City of Adams is hereby establishing a handling charge of thirty dollars (\$30.00) against the maker or drawer of any check that is dishonored because the maker or drawer did not have an account without sufficient funds with the financial institution, or the check has an incorrect or insufficient signature thereon.

(3) In the event that the credit or debit card company issuing the card does not honor payment of the charge, the city shall collect the same fee that it normally charges for returned checks, and this fee shall be in addition to the normal fee for using a credit or debit card for payment.

(4) A notice of the aforementioned charges shall be posted in plain view to all customers at City Hall. (Ord. #2016-006, July 2016)

## CHAPTER 2

### REAL PROPERTY TAXES

#### SECTION

5-201. When due and payable.

5-202. When delinquent -- penalty and interest.

**5-201. When due and payable.** Taxes levied by the municipality against real property shall become due and payable annually to the City of Adams on the first day of October of the year for which levied. (1964 Code, § 6-101, modified)

**5-202. When delinquent -- penalty and interest.** All real property taxes shall become delinquent on and after the first day of March next after they become due and payable and shall thereupon be subject to such penalty and interest as is authorized and prescribed by the state law for delinquent county real property taxes. (1964 Code, § 6-102)

## CHAPTER 3

### MERCHANT'S AD VALOREM TAXES

#### SECTION

5-301. Tax payable -- merchants included.

5-302. Administration, collection, etc.

**5-301. Tax payable – merchants included.** Merchants shall pay an ad valorem tax upon the capital invested in their businesses at the same rate as that levied on real property. The term "merchant" includes all persons, co-partnerships, agents, or corporations engaged in trading or dealing in any kind of goods, fares, and/or merchandise, and confectioners, and others, whether such goods, wares, or merchandise be kept on hand for sale or the same be purchased and delivered for profit as ordered. (1964 Code, § 5-201)

**5-302. Administration, collection, etc.** The merchant's ad valorem tax shall be administered and collected in accordance with the provisions of *Tennessee Code Annotated*, title 67, chapter 47, by the recorder, who shall have such powers and duties as are prescribed therein for the county court clerk. The required tax return shall be made on such form as the recorder shall prescribe. (1964 Code, § 5-202)

**CHAPTER 4****PRIVILEGE TAXES****SECTION**

5-401. Tax levied.

5-402. License required.

**5-401. Tax levied.** Except as otherwise specifically provided in this code, there is hereby levied on all vocations, occupations, and businesses by the general laws of the state to be privileges taxable by municipalities, an annual privilege tax in the maximum amount allowed by said state laws. (1964 Code, § 6-301)

**5-402. License required.** No person shall exercise any such privilege within the municipality without a currently effective privilege license, which shall be issued by the recorder to each applicant therefor upon such applicant's payments of the appropriate privilege tax. (1964 Code, § 6-302)

**CHAPTER 5****WHOLESALE BEER TAX****SECTION**

5-501. To be collected.

**5-501. To be collected.** The recorder is hereby directed to take appropriate action to assure payment to the city of the wholesale beer tax levied by the Wholesale Beer Tax Act, as set out in *Tennessee Code Annotated*, title 57, chapter 6. (1964 Code, § 6-401, modified)

## CHAPTER 6

### PURCHASING POLICY

#### SECTION

- 5-601. Definitions.
- 5-602. Purchasing agent.
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- 5-605. Conflict of interest.
- 5-606. Purchasing from employee.
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- 5-608. Competitive bidding \$5,000.00 to \$10,000.00.
- 5-609. Purchases and contracts costing less than \$5,000.00.
- 5-610. Bid deposit.
- 5-611. Performance bond.
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- 5-613. Considerations in determining bid awards.
- 5-614. Award splitting.
- 5-615. Statement when award not given to low bidder.
- 5-616. Award in case of tie bids.
- 5-617. Back orders.
- 5-618. Emergency purchases.
- 5-619. Waiver of the competitive bidding process.
- 5-620. Goods and services exempt from competitive bidding.
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- 5-622. Property control.
- 5-623. Disposal of surplus property.
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- 5-627. Surplus property; city identification removed prior to sale.
- 5-628. Liability for excess purchases.
- 5-629. Additional forms and procedures.

**5-601. Definitions.** For the purpose of implementing this chapter, the following definitions shall apply.

- (1) "Accept." To receive with approval or satisfaction.
- (2) "Acknowledgment." Written confirmation from the vendor to the purchaser of an order implying obligation or incurring responsibility.
- (3) "Agreement." A coming together in opinion or determination; understanding and agreement between two (2) or more parties.

- (4) "All or none." In procurement, the city reserves the right to award each item individually or to award all items on an "all or none" basis.
- (5) "Annual." Recurring, done, or performed every year.
- (6) "Appropriations." Public funds set aside for a specific purpose or purposes.
- (7) "Approved." To be satisfied with; admit the propriety or excellence of; to be pleased with; to confirm or ratify.
- (8) "Approved equal." Alike; uniform; on the same plane or level with respect to efficiency, worth, value, amount or rights.
- (9) "Attest." To certify to the verity of a public document formally by signature; to affirm to be true or genuine.
- (10) "Award." The presentation of a contract to a vendor; to grant; to enter into with all required legal formalities.
- (11) "Awarded bidder." Any individual, company, firm, corporation, partnership or other organization to whom an award is made by the city.
- (12) "Back order." The portion of a customer's order undelivered due to temporary unavailability of a particular product or material.
- (13) "Bid." A vendor's response to an invitation for bids or request for proposal; the information concerning the price or cost of materials or services offered by a vendor.
- (14) "Bid bond." An insurance agreement in which a third party agrees to be liable to pay a certain amount of money should a specific vendor's bid be accepted and the vendor fails to sign the contract as bid.
- (15) "Bid file." A folder containing all of the documentation concerning a particular bid. This documentation includes the names of all vendors to whom the invitation to bid was mailed, the responses of the vendors, the bid tabulation forms and any other information as may be necessary.
- (16) "Bid opening." The opening and reading of the bids, conducted at the time and place specified in the invitation for bids and in the presence of anyone who wishes to attend.
- (17) "Bid solicitation." Invitations for bids.
- (18) "Bidder." Any individual, company, firm, corporation, partnership or other organization or entity bidding on solicitations issued by the city and offering to enter into contracts with the city.
- (19) "Blanket bid order." A type of bid used by buyers to purchase repetitive products. The city establishes its need for a product for a specified period of time. The vendor is then informed of the city's expected usage during the duration of the proposed contract. The city may then order small quantities of these items from the vendor, at the bid price, over the term of the contract.
- (20) "Business." Any corporation, partnership, individual, sole proprietorship, joint stock company, joint venture, or legal entity through which business is conducted.
- (21) "Cancel." To revoke a contract or bid.



(22) "Capital items." Equipment which has a life expectancy of one year longer and a value in excess of one thousand dollars (\$1,000.00). Additionally, real estate shall be considered a capital item.

(23) "Cash discount." A discount from the purchase price allowed to the purchaser if payment is made within a specified period of time.

(24) "Caveat emptor." Let the buyer beware; used in proposals or contracts to caution a buyer to avoid misrepresentation.

(25) "Certify." To testify in writing; to make known or establish as a fact.

(26) "City." The City of Adams, Tennessee.

(27) "Competitive bidding." Bidding on the same undertaking or material items by more than one (1) vendor.

(28) "Conspicuously." To be prominent or obvious; located, positioned, or designed to be noticed.

(29) "Construction." The building, alteration, demolition, or repair of public buildings, structures, highways and other improvements or additions to real property.

(30) "Contract." An agreement, grant, or order for the procurement, use, or disposal of supplies, services, construction, insurance, real property or any other item.

(31) "Date." Recorded information, regardless of form or characteristic.

(32) "Delivery schedule." The required or agreed upon rate of delivery of goods or services.

(33) "Discount for prompt payment." A predetermined discount offered by a vendor for prompt payment.

(34) "Encumber." To reserve funds against a budgeted line item; to charge against an account.

(35) "Evaluation of bid." The process of examining a bid to determine a bidder's responsibility, responsiveness to requirements, qualifications, or other characteristics of the bid that determine the eventual selection of a winning bid.

(36) "Fiscal year." An accounting period of twelve (12) months, July 1 through June 30.

(37) "F.O.B. destination." An abbreviation for free on board that refers to the point of delivery of goods. The seller absorbs the transportation charges and retains title to and responsibility for the goods until the City of Adams, Tennessee has received and signed for the goods.

(38) "Goods." All materials, equipment, supplies, and printing.

(39) "Invitation for bid." All documents utilized for soliciting bids.

(40) "Invoice." A written account of merchandise and process, delivered to the purchaser; a bill.

(41) "Lead time." The period of time from the date of ordering to the date of delivery which the buyer must reasonably allow the vendor to prepare goods for shipment.

(42) "Life cycle costing." A procurement technique that considers the total cost of purchasing, maintaining, operating, and disposal of a piece of equipment when determining the low bid.

(43) "Local bidder." A bidder who has and maintains a business office located within the corporate city limits of Adams, Tennessee.

(44) "Material receiving report." A form used by the department head or supervisor to inform others of the receipt of good purchased.

(45) "Performance bond." A bond given to the purchaser by a vendor or contractor guaranteeing the performance of certain services or delivery of goods within a specified period of time. The purpose is to protect the purchaser against a cash loss which might result if the vendor did not deliver as promised.

(46) "Pre-bid conference." A meeting held with potential vendors a few days after an invitation for bids has been issued to promote uniform interpretation of work statements and specifications by all prospective contractors.

(47) "Procurement or purchasing." Buying, renting, leasing, or otherwise obtaining supplies, services, construction, insurance or any other item. It also includes functions that pertain to the acquisition of such supplies, services, construction, insurance and other items, including descriptions of requirements, selection and solicitation of sources, preparation and award of contracts, contract administration, and all phases of warehousing and disposal.

(48) "Public." Open to all.

(49) "Public purchasing unit." The State of Tennessee, any county, city, town, governmental entity and other subdivision of the State of Tennessee, or any public agency, or any other public authority.

(50) "Purchasing order." A legal document used to authorize a purchase from a vendor. A purchase order, when given to a vendor, should contain statements about the quantity, description, and price of goods or services ordered, agreed terms of payment, discounts, date of performance, transportation terms, and all other agreements pertinent to the purchase and its execution by the vendor.

(51) "Reject." Refuse to accept, recognize, or make use of; repudiate, to refuse to consider or grant.

(52) "Responsive bidder." One who has submitted a bid which conforms in all material respects to the invitation for bids.

(53) "Sealed." Secured in any manner so as to be closed against the inspection of contents.

(54) "Sole source procurement." An award for a commodity which can only be purchased from one (1) supplier, usually because of its technological, specialized, or unique character.

(55) "Specifications." Any description of the physical or functional characteristics of a supply, service, or construction item, it may include a description of any requirement for inspecting, testing, or preparing a supply, service, or construction item for delivery.

(56) "Standardization." The making, causing, or adapting of items to conform to recognized qualifications.

(57) "Telephone bids." Contacting at least two (2) vendors to obtain verbal quotes for items of a value of less than five hundred dollars (\$500.00).

(58) "Using department." The city department seeking to purchase goods and services or which will be the ultimate user of the purchased goods and services.

(59) "Vendor." The person who transfers property, goods, or services by sale. (Ord. #2016-001, March 2016)

**5-602. Purchasing agent.** The city recorder shall be the purchasing agent for the municipality. Except as otherwise provided in this policy, all supplies, materials, equipment, and services of any nature shall be approved and acquired by the purchasing agent or his representative. (Ord. #2016-001, March 2016)

**5-603. General procedures.** The following procedures shall be followed by all city employees when purchasing goods or services on behalf of the city.

(1) Items expected to cost more than \$5,000.00. (a) The department head of the using department shall deliver to the purchasing agent a written purchase request for the item(s) to be purchased. Such request shall include a brief description of the item(s) to be purchased, specifications for the item being purchased, the estimated cost of the items, and shall indicate whether the item(s) have been approved in the annual budget.

(b) The purchasing agent shall review the purchase request for completeness and accuracy. The request shall then be forwarded to the board of commissioners for final review and approval. The board shall have the authority to adjust or eliminate various specifications for goods and services, or may disapprove the purchase request, to comply with city policy, the annual budget, or for any other reason it deems in the public interest.

(c) All approved purchase requests shall be signed by the mayor and returned to the purchasing agent who shall proceed with procurement in compliance with this chapter.

(2) Items expected to cost \$500.00 to \$5,000.00. (a) The department head of the using department shall deliver to the purchasing agent a written purchase request for the item(s) to be purchased. Such request shall include a brief description of the item(s) to be purchased, specifications for the item(s) being purchased, the estimated cost of the item(s), and shall indicate whether the item(s) have been approved in the annual budget.

(b) The purchasing agent shall review the purchase request for completeness and accuracy. The request shall then be forwarded to the

mayor for final review and approval. The mayor shall not approve the purchase of any item not approved in the annual budget or for which there are not sufficient funds in the city treasury. The mayor shall have the authority to adjust or eliminate various specifications for goods or services to comply with city policy, the annual budget, or to avoid depletion of the city treasury.

(c) All approved purchase requests shall be signed by the mayor and returned to the purchasing agent who shall proceed with procurement in compliance with this chapter.

**5-604. Rejection of bids.** The purchasing agent shall have the authority to reject any and all bids, parts of bids, or all bids for any one (1) or more supplies or contractual services included in the proposed contract, when the public interest will be served thereby. The purchasing agent shall not accept the bid 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 said vendor or contractor. (Ord. #2016-001, March 2016)

**5-605. Conflict of interest.** All employees who participate in any phase of the purchasing function are to be free of interests or relationships which are actually or potentially hostile or detrimental to the best interests of the City of Adams and shall not engage in or participate in any commercial transaction involving the city, in which they have a significant interest. (Ord. #2016-001, March 2016)

**5-606. Purchasing from employee.** It shall be the policy of the city not to purchase any goods or services from any employee or close relative of any city employee without the prior approval of the board of commissioners. (Ord. #2016-001, March 2016)

**5-607. Sealed bid requirements \$10,000.00 or greater.** (1) On all purchases and contracts estimated to be in excess of ten thousand dollars (\$10,000.00), except as otherwise provided in this chapter, formal sealed bids shall be submitted at a specified time and place to the purchasing agent. The purchasing agent shall submit all such bids for award by the board of commissioners at the next regularly scheduled board meeting or special-called meeting together with the recommendation as to the lowest responsive bidder.

(2) Notice inviting bids shall be published at least once in a newspaper of general circulation in Robertson County, and at least five (5) days preceding the last day to receive bids. The newspaper notice shall contain a general description of the article(s) to be secured, and the date, time, and place for opening bids.

(3) In addition to publication in a newspaper, the purchasing agent may take other actions deemed appropriate to notify all prospective bidders of

the invitation to bid, including, but not limited to, advertisement in community bulletin boards, metropolitan newspapers, professional journals, and electronic media. (Ord. #2016-001, March 2016)

**5-608. Competitive bidding \$5,000.00 to \$10,000.00.** (1) All purchases of supplies, equipment, services, and contracts estimated to be in excess of five thousand dollars (\$5,000.00) but less than ten thousand dollars (\$10,000.00), shall be by competitive bidding and may be awarded to the lowest responsive bidder.

(2) A written record shall be required and available for public inspection showing that competitive bids were obtained by one (1) of the following methods:

- (a) Direct mail advertisement;
- (b) Telephone bids; or
- (c) Public notice.

(3) The purchasing agent shall verify account balances, prior to issuing approval to purchase, for all purchases over one thousand dollars (\$1,000.00).

(4) In the purchasing agent's absence, the mayor shall designate a suitable substitute to perform the purchasing agent's duties. (Ord. #2016-001, March 2016)

**5-609. Purchases and contracts costing less than \$5,000.00.** The purchasing agent is expected to obtain the best prices and services available for purchases and contracts estimated to be less than five thousand dollars (\$5,000.00), but is exempted from the formal bid requirements specified in §§ 5-607 and 5-608. (Ord. #2016-001, March 2016)

**5-610. Bid deposit.** When deemed necessary, bid deposits may be prescribed and noted in the public notices inviting bids. The deposit shall be in such amount as the purchasing agent shall determine and unsuccessful bidders shall be entitled to a return of such deposits within ten (10) calendar days of the bid opening. A successful bidder shall forfeit any required deposit upon failure on his part to enter a contract within ten (10) days after the award. (Ord. #2016-001, March 2016)

**5-611. Performance bond.** The purchasing agent may require a performance bond before entering into a contract, in such amount as he shall find reasonably necessary to protect the best interests of the city and furnishers of labor and materials in the penalty of not less than the amount provided by *Tennessee Code Annotated*. (Ord. #2016-001, March 2016)

**5-612. Record of bids.** (1) The purchasing agent shall keep a record of all open market orders and bids submitted in competition thereon, including a list of the bidders, the amount bid by each, and the method of solicitation and

bidding, and such records shall be open to public inspection and maintained in the city recorder's office.

- (2) As a minimum, the bid file shall contain the following information:
  - (a) Request to start bid procedures;
  - (b) A copy of the bid advertisement;
  - (c) A copy of the bid specifications;
  - (d) A list of bidders and their responses;
  - (e) A copy of the purchase order; and
  - (f) A copy of the invoice. (Ord. #2016-001, March 2016)

**5-613. Considerations in determining bid awards.** The following criteria shall be considered in determining all bid awards:

- (1) The ability of the bidder to perform the contract or provide the material or service required;
- (2) Whether the bidder 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, and efficiency of the bidder;
- (4) The previous and existing compliance by the bidder with laws and ordinances relating to the contract or service;
- (5) The quality of performance of previous contracts or services, including the quality of such contracts or services in other municipalities, or performed for private sector contractors;
- (6) The sufficiency of financial resources and the ability of the bidder to perform the contract or provide the service;
- (7) The ability of the bidder to provide future maintenance and service for the use of the supplies or contractual service contracted;
- (8) Compliance with all specifications in the solicitation for bids;
- (9) The ability to deliver and maintain any requisite bid bonds or performance bonds; and
- (10) Total cost of the bid, including life expectancy of the commodity, maintenance costs, and performance. (Ord. #2016-001, March 2016)

**5-614. Award splitting.** If total savings generated is less than two hundred dollars (\$200.00), bid awards shall not be split among two (2) or more bidders. (Ord. #2016-001, March 2016)

**5-615. Statement when award not given to low bidder.** When the award for purchases and contracts in excess of five hundred dollars (\$500.00) is not given to the lowest bidder, a full and complete statement of the reasons for placing the order elsewhere shall be prepared by the purchasing agent or department head and filed with all the other papers relating to the transaction. (Ord. #2016-001, March 2016)

**5-616. Award in case of tie bids.** When two (2) or more vendors have submitted the low bid, the following criteria shall be used to award the bid.

(1) If all bids received are for the same amount, quality of service being equal, the purchase contract shall be awarded to the local bidder.

(2) If two (2) or more local bidders have submitted the low bid, quality of service being equal, the purchase contract shall be awarded by a coin toss or drawing lots.

(3) If no local bids are received and two (2) or more out-of-town bidders have submitted the low bid, quality of service being equal, the purchase contract shall be awarded by a coin toss or drawing lots.

(4) When the award is to be decided by coin toss or drawing lots, representatives of the bidders shall be invited to observe. In no event shall such coin toss or drawing lots be performed with fewer than three (3) witnesses. (Ord. #2016-001, March 2016)

**5-617. Back orders.** All orders must be completed, whether through complete fulfillment of the purchase order or through closing the purchase order with items not received. The non-delivered items shall be cancelled from the purchase order and the check will be issued to the equal amount of the amended purchase order. (Ord. #2016-001, March 2016)

**5-618. Emergency purchases.** When in the judgment of the purchasing agent an emergency exists, the provisions of this chapter may be waived; provided, however, the purchasing agent shall report the purchases and/or contracts to the board of commissioners at the next regular board meeting stating the item(s) purchased, the amount(s) paid, from whom the purchase(s) was made, and the nature of the emergency. (Ord. #2016-001, March 2016)

**5-619. Waiver of the competitive bidding process.** Upon the recommendation of the mayor, and the subsequent approval of the board of commissioners, that it is clearly to the advantage of the city not to contract by competitive bidding, the requirements of competitive bidding may be waived provided that the following criteria are met and documented in a written report to the board of commissioners.

(1) Single source of supply. The availability of only one (1) vendor of a product or service within a reasonable distance of the city as determined after a complete and thorough search by the using department and the purchasing agent.

(2) State department of general services. A thorough effort was made to purchase the product or service through or in conjunction with the state department of general services or via a state contract, such effort being unsuccessful.

(3) Purchase from other governmental entities. A thorough effort was made to purchase the product or service through or in conjunction with other municipalities or from any federal or state agency. These purchases may be made without competitive bidding and public advertisement.

(4) Purchases from non-profit organizations. A thorough effort was made to purchase the goods or services from any non-profit organization whose sole purpose is to provide goods and services specifically to municipalities.

(5) Purchases from Tennessee state industries. A thorough effort was made to purchase the goods or services from Tennessee state industries (prison industries).

(6) Purchases from instrumentalities created by two or more co-operating governments. An effort was made to purchase the goods or services from a co-op or group of governments which was formed to purchase goods and services for their members. (Ord. #2016-001, March 2016)

**5-620. Goods and services exempt from competitive bidding.** The following goods and services need not be awarded on the basis of competitive bidding; provided, however, that the purchasing agent and/or the department head shall make a reasonable effort to assure that such purchases are made efficiently and in the best interest of the city.

(1) Certain insurance. The city may purchase tort liability insurance, without competitive bidding, from the Tennessee Municipal League or any other plan offered by a governmental entity representing cities and counties. All other insurance plans, however, are to be awarded on the basis of competitive bidding.

(2) Certain investments. The city may make investments of municipal funds in, or purchases from, the pooled investment fund established pursuant to *Tennessee Code Annotated*, § 9-17-105.

(3) Motor fuel, fuel products, or perishable commodities. Such commodities may be purchased without competitive bidding.

(4) Professional service contracts. Any services of a professional person or firm, including attorneys, accountants, physicians, architects, engineers, and other consultants required by the city, whose fee is less than five hundred dollars (\$500.00), may be hired without competitive bidding. In those instances where such professional service fees are expected to exceed five hundred dollars (\$500.00), a written contract shall be developed and approved by the board of commissioners prior to the provision of any goods or services. Contracts for professional services shall not be awarded on the basis of competitive bidding; rather, professional service contracts shall be awarded on the basis of recognized competence and integrity. (Ord. #2016-001, March 2016)

**5-621. Procedures upon taking delivery of purchased items.** Before accepting delivery of purchased equipment, supplies, materials and other tangible goods, the department head of the using department shall:

(1) Inspect the goods to verify that they are in acceptable condition;



- (2) Verify that all operating manuals and warranty cards are included in the delivery of the goods, if applicable;
- (3) Verify that the number of items purchased have been delivered, making special note when part or all of a particular purchase has been back ordered;
- (4) Record serial numbers for all capital items, notifying the city recorder of same; and
- (5) Complete and return to the purchasing agent a material receiving report form. (Ord. #2016-001, March 2016)

**5-622. Property control.** A physical inventory of the city's fixed assets shall be taken annually. The goals of the annual inventory shall be as follows:

- (1) To identify unneeded and duplicate assets;
- (2) To provide a basis for insurance claims, if necessary;
- (3) To deter the incidence of theft and negligence;
- (4) To aid in the establishment of replacement schedules for equipment; and
- (5) To note transfers of surplus property.

To be classified as a fixed asset, an item must be tangible, have an expected life longer than the current fiscal year, and have a value of at least one hundred dollars (\$100.00). Any property or equipment that meets this criteria shall be assigned an asset number (affixed with a property sticker), have a completed property card, and be inventoried annually. Such records shall be controlled and maintained by the city recorder. (Ord. #2016-001, March 2016)

**5-623. Disposal of surplus property.** The purchasing agent shall be in charge of the disposal of surplus property and make a full report to the board of commissioners after the items are disposed of. When a department head determines there is surplus equipment or materials within the department, he shall notify the purchasing agent in writing of any such equipment. The purchasing agent may transfer surplus equipment or materials from one department to another. (Ord. #2016-001, March 2016)

**5-624. Employee participation in disposal of surplus property.** No city employee shall be permitted to bid on surplus property; nor shall any surplus property be sold or given to a city employee by the board of commissioners, the purchasing agent or any city department head. For the purposes of this chapter, members of the board of commissioners shall be considered city employees. (Ord. #2016-001, March 2016)

**5-625. Surplus property; items consumed in the course of work thought to be worthless.** City property which may be consumed in the course of normal city business and items thought to be worthless shall be disposed of

in a like manner as any other refuse. For accounting purposes, such items shall be charged off as a routine cost of doing business. (Ord. #2016-001, March 2016)

**5-626. Surplus property; items estimated to have monetary value.**

When disposing of surplus property estimated to have monetary value, the purchasing agent shall comply with the following procedures.

(1) Obtain from the board of commissioners a resolution declaring said items to be surplus property and fixing the date, time and location for the purchasing agent to receive bids.

(2) A copy of the resolution shall be posted in at least three (3) locations in the community.

(3) Such equipment or materials shall be sold to the highest bidder. In the event the highest bidder is unable to pay within twenty-four (24) hours, the item shall be awarded to the second highest bidder.

(4) All pertinent information concerning the sale shall be noted in the fixed asset records of the city.

(5) The advertisement, bids, and property cards shall be retained for a minimum period of five (5) years. (Ord. #2016-001, March 2016)

**5-627. Surplus property; city identification removed prior to sale.**

No surplus city property shall be sold unless and until all decals, emblems, lettering, or coloring which identifies the item as belonging to the City of Adams have been removed or repainted. (Ord. #2016-001, March 2016)

**5-628. Liability for excess purchases.** This chapter shall authorize only the purchase of materials and supplies and the procurement of contracts for which funds have been appropriated and are within the limits of the funds estimated for each department in the annual budget or which have been authorized and lawfully funded by the board of commissioners. The city shall have no liability for any purchase made in violation of this chapter.

**5-629. Additional forms and procedures.** The purchasing agent is hereby authorized and directed to develop such forms and procedures as are necessary to comply with this chapter. (Ord. #2016-001, March 2016)

## CHAPTER 7

### FUND BALANCE POLICY

#### SECTION

- 5-701. Purpose.
- 5-702. Categories.
- 5-703. Responsibility.
- 5-704. Order of use of restricted and unrestricted funds.
- 5-705. Authority to commit funds.
- 5-706. Stabilization funds.
- 5-707. Authority to assign funds.
- 5-708. Unassigned fund balance.

**5-701. Purpose.** The fund balance policy is intended to provide guidelines during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. It also is intended to preserve flexibility throughout the fiscal year to make adjustments in funding for programs approved in connection with the annual budget. The fund balance policy should be established based upon a long-term perspective recognizing that stated thresholds are considered minimum balances. The main objective of establishing and maintaining a fund balance policy is for the city to be in a strong fiscal position that will allow for better position to weather negative economic trends. (Ord. #2017-010, March 2017)

**5-702. Categories.** The fund balance consists of five (5) categories: nonspendable, restricted, committed, assigned, and unassigned.

(1) Nonspendable fund balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

(2) Restricted fund balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

(3) Committed fund balance consists of funds that are set aside for a specific purpose by the city's highest level of decision making authority (governing body). Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

(4) Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose by the city's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

(5) Unassigned fund balance consists of excess funds that have not been classified in the previous four (4) categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. (Ord. #2017-010, March 2017)

**5-703. Responsibility.** (1) Nonspendable funds are those funds that cannot be spent because they are either:

(a) Not in spendable form (e.g., inventories and prepaids); or

(b) Legally or contractually required to be maintained intact.

(2) It is the responsibility of the city recorder to report all nonspendable funds appropriately in the city's financial statements.

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

(a) Externally by creditors, grantors, contributors, or laws or regulations or other governments; or

(b) By law through constitutional provisions or enabling legislation.

(4) It is the responsibility of the city recorder to report all restricted funds appropriately in the city's financial statements. All restricted funds must also be reported to the city's governing body within two (2) months of the end of the fiscal year. (Ord. #2017-010, March 2017)

**5-704. Order of use of restricted and unrestricted funds.** When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last. (Ord. #2017-010, March 2017)

**5-705. Authority to commit funds.** The city's governing body has the authority to set aside funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used. Commitment must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the resolution or ordinance must state the process or formula necessary to calculate the actual amount as soon as information is available. In the event the governing body wishes to lift the committed status of funds so that they may be used for general purposes, a formal action equal to that which originally committed the funds must be taken. (Ord. #2017-010, March 2017)

**5-706. Stabilization funds.** The city's governing body has the authority to establish a financial stabilization account that will be a committed fund

balance. A financial stabilization account may be established for the purpose of providing funds for an urgent event that affects the safety of the general public (e.g., flood, tornado, etc.). The minimum level for the financial stabilization account is five percent (5%) of general fund expenditures. The recognition of an urgent event must be established by the governing body or its designee (e.g., chief administrative officer). If established by the governing body's designee, the specific urgent event must be reported to the governing body at its next meeting. A budget amendment must be approved by the city's governing body. In the event that the balance drops below the established minimum level, the city's governing body will develop a plan to replenish the financial stabilization account balance to the established minimum level within four (4) years. (Ord. #2017-010, March 2017)

**5-707. Authority to assign funds.** Upon passage of the fund balance policy, authority is given to the city recorder to assign funds for specific purposes in an amount not to exceed four thousand dollars (\$4,000.00) per purpose or in total not to exceed ten thousand dollars (\$10,000.00). Any funds set aside as assigned fund balance must be reported to the city's governing body at its next regular meeting and recorded in the minutes. The governing body has the authority to remove or change the assignment of the funds with a simple majority vote.

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

Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, the city recorder shall record the amount as assigned fund balance. (Ord. #2017-010, March 2017)

**5-708. Unassigned fund balance.** Unassigned fund balance is the residual amount of fund balance in the general fund. It represents the resources available for future spending. An appropriate level of unassigned fund balance should be maintained in the general fund in order to cover unexpected expenditures and revenue shortfalls. Unassigned fund balance may be accessed in the event of unexpected expenditures up to the minimum established level upon approval of a budget amendment by the city's governing body. In the event of projected revenue shortfalls, it is the responsibility of the city recorder to report the projections to the city's governing body on a quarterly basis and shall be recorded in the minutes.

Any budget amendment that will result in the unassigned fund balance dropping below the minimum level will require the approval of two-thirds (2/3) vote of the city's governing body.

The fund balance policy establishes a minimum unassigned fund balance equal to fifteen percent (15%) of general fund expenditures. In the event that the

balance drops below the established minimum level, the city's governing body will develop a plan to replenish the fund balance to the established minimum level within two (2) years. (Ord. #2017-010, March 2017)