

**TENNESSEE CITY MANAGEMENT ASSOCIATION**  
**FINANCIAL MANAGEMENT POLICY**  
(Adopted October 20, 2015)

**1. Purpose for Policy** – The operation of the The Tennessee City Management Association (TCMA) in a fiscally responsible manner is the highest priority of the Board of Directors (Board). Central to this policy is maintaining sufficient financial reserves to ensure the long-term sustainability of the association and to use for designated future purposes as authorized by the Board.

**2. Assets of Association** - TCMA has no physical assets of value; cash is the only potential unrestricted asset of the Association.

**3. Basis for Accounting** - While TCMA technically operates on a cash basis, financial and accounting records are maintained on the accrual basis of accounting to the greatest degree possible. Income is generally recognized when received and expenses are generally recorded when incurred. Every effort is made to ensure that all expenses and obligations in a fiscal year are paid for prior to the close of each year on June 30.

**4. Bank Accounts** - The Board shall create and maintain a sufficient number of bank accounts to meet the financial objectives and commitments of the Association. As of October 2015, the following bank accounts are authorized by the Board:

**A.** The operating account of TCMA shall be referred to as the **Primary checking account**. The goal is to maintain unrestricted net assets (fund balance) in the account that exceeds one year of total expenses in the upcoming fiscal year budget. The intent for the fund balance is to allow the Association to maintain programs and services for several years during a period of significant economic slowdown or other unanticipated events resulting in lower sponsorship revenue, conference attendance, membership, etc). It is understood that Association expenses would be reduced during such periods but reductions cannot be done as quickly as declining income as most expenses in the operating budget are "fixed" and needed to operate the Association at the minimum level expected by the members.

**B.** Prior to the adoption of the TCMA strategic plan and creation of the executive director position, expanded programs, etc.), TCMA historically maintained a **Savings account** (previously invested in a "certificate of deposit") at an amount roughly equivalent to 50% of the annual "operating" budget. For the last five years, the account balance has been \$27,000. The goal is to increase and maintain in the future an amount in the Savings account that is equal to or exceeds 50% of the annual operating budget. The purpose is to provide the "core" financial asset for the long-term stability of TCMA and, as a last resort, serve as an emergency fund for critical needs.

**C.** The **2019 ICMA Conference account** is a "temporary restriction of assets." The account provides for the set aside of \$150,000 that represents TCMA's commitment to ICMA for hosting the conference in Nashville in October 2019. After first meeting the higher priorities in A and B above, additional surplus funds in a minimum amount of \$30,000 will be transferred from the Primary checking account to this designated account. This will allow the Board to address unique TCMA member needs in 2019, recognizing that a Fall TCMA Conference that year is unlikely. At the end of calendar year 2019 and/or when all obligations are paid, this account will be closed and any remaining proceeds will be transferred to the Primary checking account.

5. **Policy Review** - Following completion of the 2019 ICMA Conference and closure of the conference bank account, this fund balance policy shall be reviewed by the Board and revised fund balance amounts may be adopted. Such fund balance amounts should be reflective of the organization's financial status and long-term expense projections following the 2019 conference, but should maintain a minimum fund balance equal to one year's budgeted operating expenses.

6. **Exceptions to Fund Balance Requirements** – Once the minimum fund balance requirements as established in Section 4 above have been achieved, any action by the Board which would result in the fund balance of the organization dropping below the established minimum level requires approval by a 2/3 vote of the entire Board.

7. **Debt Management** - TCMA has no outstanding debt. The association will avoid any debt or short-term borrowing to meet the obligations of the Association or to facilitate cash flow needs during the fiscal year.

8. **Investment Policy** – TCMA will invest idle funds conservatively in accordance with State and Federal laws. Safety of cash assets is the highest priority. Return on investment is of secondary importance compared to safety and liquidity needed to meet operating requirements and other commitments. Accordingly, all TCMA funds (bank accounts, certificates of deposits, etc.) shall be appropriately sized and placed in federally insured bank accounts or investment instruments such as certificates of deposits.

9. **Responsibility** – The Board shall oversee compliance of this policy through its approval of the annual operating budget, review and acceptance of the independent auditors report, and periodic review of current year financial reports and bank statements at Board meetings during the fiscal year. The Executive Director shall have day-to-day responsibility for carrying out this policy and the direction of the Board. Any changes to the policy shall occur through formal action taken by the Board at an official meeting.