



# Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Labor Distribution

**Effective Date:** September 16, 2025

**Revision Date:** N/A

**Policy Number:** 1.15

**Sponsor:** Division of Accounts

## Purpose

To establish a standardized process for allocating labor costs to multiple cost centers. The goal is to ensure fairness, accuracy, and compliance with organizational and financial standards while supporting operational transparency in accordance with Generally Accepted Accounting Principles.

## Definitions

**Enterprise Administrative Business Unit:** Business units used for administrative purposes only and located in the Administrative Department code.

**Allocated Business Unit:** The business unit where a portion of a labor costs may be allocated, distributing costs to a specific program or activity.

**Capital Business Unit:** The business unit where a capital project or program is recorded.

**Home Business Unit:** The business unit where a position or FTE is recorded and resides. This indicates the controlling department and primary funding unit that appears in the Annual Budget. Note that business units may also be referred to as a cost center.

**Labor Costs:** Full cost of labor that includes salary, fringe benefits, the employer's cost, and any leave and overtime pay.

**Labor Distribution:** Accounting process by which a position's labor costs may be shared among several business units. This distribution is often done by allocating a percentage of labor costs that is based on actual work performed on a particular activity.

**OMB:** The Department of Finance's Office of Management and Budget.

### Labor Distribution Principles

- **Fairness:** Distribution shall reflect the actual time and effort contributed to each cost center.
- **Accuracy:** Allocations shall be based on verifiable time-tracking records or other approved methodologies.
- **Compliance:** Allocations shall adhere to applicable regulations, laws, and accounting standards.

## General Policies

Labor costs may be distributed across multiple funds and/or business units if an employee works on multiple projects, programs, departments, or functions with distinct business units and the employees' time and effort can be clearly tracked and documented.

Labor distribution to other allocated business units shall be based on job description and work assignments.



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Positions shall be placed in the Home Business Unit where most of the work occurs. If more than 60% of position's labor supports a cost center, then the Home Business Unit shall be associated with the same department and fund as that cost center. Home business unit changes require systematic approval. No employee or FTE shall have a Capital Business Unit or an Enterprise Administrative Business Unit as a Home Business Unit.

Positions that are supportive in nature such as human resources, finance, and other administrative roles shall be primarily distributed to the department's administrative or similar business unit. Exceptions to this shall be approved by the department director. Such approvals shall be available for regular reporting and be retained by the department for monitoring or audit purposes.

Labor distribution shall not be permitted for time allocations of less than 5%.

Labor Costs shall be budgeted in the business unit in which costs are anticipated to be allocated.

Cost allocation distribution shall be made according to one of the approved methods below:

- **Fixed Allocation:** Use a predefined split (e.g., 50/50) based upon an estimate of time to be spent on a particular project or activity. If time-tracking is not feasible or would have an immaterial difference in the final allocation, then a suitable methodology for estimation and documentation shall be used. This methodology shall be approved by the Department Director prior to implementation. Fixed allocation is the preferred methodology and shall be considered first.
- **Proportional Allocation:** Distribute costs based on the actual percentage of time spent on each cost center. If this method is used, employee costs shall be distributed via journal entry quarterly. This is not the preferred method of distribution and generally shall not be used unless first approved by the Finance Department's Chief Accountant.

### Time-Tracking Requirements

Employees working across multiple cost centers shall maintain accurate records of time spent on tasks associated with each cost center using an approved time-tracking tool.

Where time tracking tools are not available, individual labor distribution among cost centers shall be reviewed annually by the department for accuracy and certified by the department director. This must follow the methodology as mentioned above. A true up period to reconcile labor distribution should be done annually prior to annual budget submission.

### Labor Distribution Across Departments

Labor distribution across departments may occur periodically. Cross-departmental labor distribution shall occur only when necessary or for a defined temporary period. Employee labor must be clearly attributable to the allocated business unit. The department directors of each impacted organization must certify the accuracy of the distribution methodology in writing. Documentation of such approvals shall be available for monitoring or audit purposes.

### Labor Distribution and Capitalized Salaries

The Capital Assets Policy (1.4) states that for construction projects and new computer software or software upgrades, total cost may include contracted or Metro employee labor.

Salaries distributed to capital business units must be directly attributable to a construction or development activity, including design of the related asset.

Documentation of this shall be available on request and approved by the department director in writing. Documentation shall include methodology of fixed allocations, time sheets, or other methodology for proportional allocation.



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Departments shall work with the Division of Accounts to attribute labor to projects as needed.

### **Compliance and Audit**

Labor distribution shall be subject to compliance monitoring and audit. Methodologies and annual reviews shall be kept on file with departments.

## **Applicable Local, State or Federal Regulations**

### *GASB 34 – Basic Financial Statements & Reporting Model*

- Requires governments to *consistently classify and allocate costs* in financial statements.
- Direct and indirect costs must be treated consistently across all funds and government-wide financial reports.
- Changes in cost classification must be disclosed in the notes to the financial statements.

### *2 CFR Part 200 (Uniform Guidance)*

- Federal grant recipients must maintain records documenting the allocation of employees' time across multiple grants or activities.
  - Time and Effort Reporting: Employees working on multiple grant-funded projects must track time to demonstrate appropriate distribution of salaries and wages.
  - Reports should reflect actual time worked and be certified by the employee or supervisor.

Metro. Charter art. 8, § 8.103: The director of finance shall be responsible to the mayor for the administration of the financial affairs of the metropolitan government.

Metro. Charter art. 8, § 8.104: The budget officer, with the advice and assistance of the chief accountant, shall write, revise and maintain a proper standard procedure instruction manual to be followed by all officers, departments, boards and other agencies of the government to ensure uniform accounting and budgetary procedures.

Metro. Charter art. 8, § 8.105: The chief accountant shall maintain a general accounting system and such cost accounting records as shall be required by the director of finance.

## **Associated Policies**

Finance Department Policy 1.4 Capital Assets

## **Effective Date**

This Policy Statement shall become effective upon issuance and shall be applied to all Metro departments and agencies.

## **Approvals**

### **Approval of the Director of Finance**

I hereby approve this Policy Statement of the Department of Finance and as such agree with and authorize the actions necessary to implement its requirements.



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NASHVILLE & DAVIDSON COUNTY**

Jenneen Reed

Director of Finance

**Date:** September 16, 2025