METROPOLITAN GOVERNMENT OF
NASHVILLE & DAVIDSON COUNTY

Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Recognition of Revenue

Effective Date: October 12, 2006
Revision Date: September 16, 2025
Policy Number: 1.3
Sponsor: Division of Accounts

Purpose

The purpose of the Recognition of Revenue Policy is to establish guidelines for the recognition of revenue at fiscal year- end in accordance with generally accepted accounting principles (GAAP) and accounting standards issued by the Governmental Accounting Standards Board (GASB).

Definitions

Measurement Focus: Determines which resources are measured and reported in governmental financial statements during a reporting period**.**

Basis of Accounting: The technical term that refers to timing of when transactions and events are recognized in the financial statements.

Accrual Basis of Accounting: Focuses on the economic substance of transactions, recognizing the impact of events when they occur. Revenues are recognized when earned, meaning when goods are delivered or services are rendered, regardless of when payment is received. Expenses are recognized when they are incurred, meaning when goods or services are received or used, regardless of when payment is made. Proprietary and Fiduciary funds utilize the accrual basis of accounting.

Modified Accrual Basis of Accounting: Focuses on the flow of current financial resources in governmental funds. Revenues are recognized when they are measurable (the amount is known or can be reasonably estimated), and available (the revenue is collectible within the current period or soon enough thereafter to be used to pay current period liabilities, no more than 60 days from the end of an accounting period.)

Property Taxes: Nonexchange revenues levied on the assessed value of all real and personal property. All property tax revenue is susceptible to accrual if it is attributable to the prior fiscal year, has been demanded by the Metropolitan Government as evidenced by a due date at fiscal year-end or within two months after fiscal year-end.

Local option sales tax: Derived tax revenues, imposed locally in addition to state-level tax, as a percentage of retail sales. Sales taxes are susceptible to accrual as soon as the underlying sales take place and the related amounts become available to finance expenditures of the current period.

Other taxes: All other tax revenues not meeting the definition of property or sales taxes. Other taxes are susceptible to accrual as soon as the taxing event takes place and the related amounts become available to finance expenditures of the current period.

Licenses and permits: Exchange or exchange-like revenues collected in the form of a fee for the issuance of licenses or permits that grant permission to engage in regulated activities. Licenses and permits are susceptible to accrual as soon as the license or permit is granted and the related amounts become available to finance expenditures of the current period.

Fines, forfeits and penalties: Nonexchange revenues resulting from violations of laws or regulations. Fines, forfeits and penalties are susceptible to accrual as soon as they are legally enforceable (when the party pays the amount or when imposed by a court) and the related amounts become available to finance expenditures of the current period.

Use of money or property/Investment income: Exchange or exchange-like revenues from the use of government-owned property or resources, and from investing public funds. Use of money or property/investment income (realized and unrealized gains and losses from investing activity) is susceptible to accrual as soon earned and changes in fair value have taken place.

Revenue from other governmental agencies: Nonexchange or exchange-like revenues such as grants, shared taxes, and entitlements from federal, state, or other local governments. Revenue from other governmental agencies may include several types of revenues from various governmental sources. For reimbursements and grant-related revenues, revenue is susceptible to accrual as soon as eligibility requirements have been met and/or allowable costs have been incurred. For revenues generated for services provided to governmental agencies, revenue is susceptible to accrual as soon as services have been rendered.

Commissions and fees: Exchange revenues where a fee is collected in return for a service or privilege. Commissions and fees are susceptible to accrual as soon as earned and the related amounts become available to finance expenditures of the current period.

Charges for current services/Revenue from operations: Exchange or exchange-like revenues collected by the government in the form of a fee in return for providing a specific good or service. Charges for current services/revenues from proprietary operations is susceptible to accrual as soon as services have been rendered or ownership of goods have transferred to the receiving party.

Contributions and gifts: Nonexchange revenues resulting from voluntary donations or contributions from individuals, organizations, or private entities. Contributions and gifts are generally recognized as revenue when received.

General Policies

The Metropolitan Government shall follow Generally Accepted Accounting Principles for all financial accounting and reporting. In following and applying the requirements of GAAP, Metro hereby adopts and shall take these measures when recognizing revenues for these major revenue categories:

Metro shall accrue Property taxes received within two months after fiscal year-end; on or before August 31 if there is evidence to demonstrate the revenue was attributable to the prior fiscal year.

Metro shall accrue Local option sales taxes received within two months after fiscal year-end; if the underlying sales took place in the current year and the related amounts become available on or before August 31.

Metro shall accrue other taxes received within two months after the fiscal year-end, if the underlying sales take place and the related amounts become available on or before August 31.

Metro shall accrue Licenses and permits revenues received within two months after fiscal year-end; if the license or permit is granted and the related amounts become available to finance expenditures on or before August 31.

Metro shall accrue Fines, forfeits and penalties revenues received within two months after fiscal year- end; if they are legally enforceable (when the party pays the amount or when imposed by a court) and the related amounts become available to finance expenditures on or before August 31.

Metro shall accrue revenue from Use of money or property/Investment income (realized and unrealized gains and losses from investing activity) received within two months after fiscal year-end; if they are earned and changes in fair value have taken place on or before August 31.

Metro shall accrue Revenue from other governmental agencies including reimbursements and grant-related revenues as soon as grant eligibility requirements have been met and/or allowable costs have been incurred, and the related services have been rendered.

Metro shall accrue Commissions and fees received within two months after the fiscal year-end; if they are earned, and the related amounts become available to finance expenditures on or before August 31.

Metro shall accrue revenues from Charges for current services/Revenue from operations as soon as services have been rendered or ownership of goods has transferred to the receiving party.

Metro shall recognize revenues from Contributions and gifts when received.

All revenue recognition shall be consistent with these requirements. Any deviation from this policy should obtain the specific approval of the Chief Accountant.

Applicable Local, State or Federal Regulations

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 1.1 Accounts Receivable

Finance Department Policy 5.4 Grant Drawdown and Reimbursement

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.

Jenneen Reed

Director of Finance

Date: September 16, 2025