



## Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Cash Balance

**Effective Date:** April 1, 2019  
**Revision Date:** September 16, 2025  
**Policy Number:** 1.5  
**Sponsor:** Division of Accounts

### Purpose

The purpose of the Cash Balances Policy is to identify the appropriate treatment of metro investment pool (MIP) balances in Metro funds and to identify required actions to mitigate negative MIP.

### Definitions

**Borrower:** Metro Department, Agency or Entity that has expended funds in excess of funding availability.

**Fund:** This includes - but is not limited to - operating, capital, 4% and special revenue, debt service, internal service, and enterprise funds

**Investor:** Metro Department, Agency, or Entity that has funding availability in excess of expenditures.

**MIP:** The cash from Metro's accounts that are pooled to form the Metro Investment Pool, otherwise known as MIP. These funds are invested daily in order to earn interest.

**Positive MIP:** A positive average daily cash balance.

**Negative MIP:** A negative average daily cash balance.

**Grant:** Revenue from a federal, state or other external entity for a purpose, undertaking, or activity of the grantee that the government has chosen to assist. Grants usually require some performance, obligations and or may be accompanied by some specific restrictions.

**Interfund Loans (Borrowings):** Short advances from other Metro Government funds (instead of an outside financial institution) to fund cash deficits in tax supported funds prior to the collections of property taxes.

**TAN's:** Tax anticipation notes

### General Policies

Fund cash balances shall be reviewed monthly by the Division of Accounts.

Funds with a positive average daily cash balance shall be treated as investors in the MIP and will earn interest income, unrealized gain/loss, realized gain/loss, and accretion/amortization income.

Funds with a negative average daily cash balance shall be treated as borrowers from the MIP and will be charged interest expenses.

Interest income or expenses shall be determined monthly, during the month-end close process. Interest expense for non-grant funds shall be debited to a fund's MIP revenue account.

Interest expense attributable to grant funds shall be charged to the applicable department's operating budget and shall be reclassified monthly by the department via journal entry as part of the month-end close process, since interest expense is generally an unallowable grant expense. Exceptions can be made by the Chief Accountant



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for grants that allow the reimbursement or capitalization of interest charges (in the case of construction projects with grant funding).

Departments with funds that have ongoing negative MIP are required to develop and submit a plan to the Office of Management and Budget (OMB) and Division of Accounts to eliminate the condition by the end of the third quarter of each fiscal year. The Director of Finance, upon the request of the department responsible, may postpone the deadline for eliminating the negative MIP based upon an alternative schedule that has been approved by the Director of Finance or their designee.

The cash balance position of funds shall be reviewed by the Cash Investment Committee on a quarterly basis, and the Committee shall be kept informed of plans to eliminate negative MIP by the Chief Accountant.

### Fund Specific Policies

#### GSD and USD General Funds, General Purpose School Fund, and the GSD, Schools, and USD Debt Service Funds (tax supported funds)

Due to the timing of the receipt of property tax collections, these funds may operate in a negative MIP position for part of each fiscal year. Metro will issue and utilize Tax Anticipation Notes (TAN's) or Interfund Loans (Borrowings) when needed and borrow from identified lending funds to cover any cash deficit in the tax supported funds as approved and authorized by the Metropolitan Council.

#### Special Revenue Funds (grant funds)

Metro grant recipients should always take advantage of grant advances or drawdowns available prior to incurring grant related expenditures. When grant terms and conditions require that Metro departmental grant recipients make expenditures prior to receiving grant funds, the department administering the grant program should be aware that the grant program is in effect borrowing from the MIP and will incur interest expense that will be charged to the department's operating budget in most circumstances.

An account receivable for the amount of allowable expenses incurred and submitted to the grantor for reimbursement should be recorded in the general ledger and tracked by grant at the time the reimbursement request is filed. A negative MIP balance in any grant fund at the end of any month that is not 100% offset by receivables from grantors shall be investigated by the department and the department should present an explanation and a plan to eliminate the negative MIP to OMB and to the Division of Accounts within 30 days of the end of that month.

#### Special Revenue Funds (other than grant funds)

Special Revenue Funds may be used to account for the proceeds of a specific revenue source (other than major capital projects) that are legally restricted to expenditures for a specific purpose, or for expenditures that are intended to be funded by a specific future revenue source. The department responsible for any special revenue fund identified as having a negative MIP position should present a plan to OMB and Division of Accounts to eliminate the cash deficit, as described above.

#### Internal Service Funds

If an internal service fund has negative MIP on an ongoing basis, the entity will commit to either cutting costs or adjusting rates to eliminate the problem. The negative MIP should be eliminated within the current fiscal year, or - if approved by the Finance Department - no later than the subsequent fiscal year.

#### Enterprise Funds

Enterprise funds are intended to be self-supporting, and should not experience negative MIP. If a unique and temporary situation results in negative MIP, an enterprise fund may be given an exception by the Finance Department in order to develop and implement a corrective action plan to adjust operations in order to cut costs,



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increase user charges to cover costs, or obtain additional funding sources in order to operate on a break-even basis going forward. Such corrective action shall be approved by the Finance Department and monitored for implementation by the affected department and the Finance Department.

### Capital Project Funds

In general, capital project fund cash needs are covered by commercial paper or excess bond proceeds. For capital projects funded partially by grants, the same policy as described for Special Revenue Funds receiving grant funds shall apply. Should any capital project funds be expected to be in a negative MIP position at the conclusion of a fiscal year, the department to whom the capital allocation was appropriated shall develop a plan to explain the situation by the end of each fiscal year. Such plan shall be provided in the form and content prescribed by the Finance Department.

## Applicable Local, State or Federal Regulations

Tennessee Code Annotated (TCA) 9-21-801 Authorization, Security, and Retirement of Tax Anticipation Notes

Bill BL2019-1487 No later than November 30 of each year, the Director of Finance shall submit a report to the Metropolitan Council providing a summary of all Lending Fund transactions involving an appropriation of funding from one such fund to the other.

Metro Charter Article 8, Section 8.103 The director of finance shall be responsible to the mayor for the financial affairs of the metropolitan government.

Metro Charter Article 8, Section 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 Article 8, Section 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 5.4 Grant Drawdown and Reimbursement

Finance Department Policy 3.4 Cash Deposits

Finance Department Policy 1.3 Revenue Recognition

Finance Department Policy 1.1 Accounts Receivable

## 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