



Metropolitan Government of Nashville and Davidson County - Finance Dept. Policy: Use of Restricted and Unrestricted Resources

Effective Date: May 22, 2015
Revision Date: September 16, 2025
Policy Number: 1.8
Sponsor: Division of Accounts

Purpose

To document the use of resources when both restricted and unrestricted resources are available for use.

Definitions

The following are definitions and guidance provided by the Government Finance Officers Association (GFOA) and the Governmental Accounting Standard Board (GASB) and are reflective of Generally Accepted Accounting Principles (GAAP):

Net position shall be reported as **restricted** when constraints placed on net position use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments,
- Imposed by law through constitutional provisions or enabling legislation.

Governments shall disclose the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Restricted resources correspond to the portion of net position that is reported as restricted and represent assets where those assets can only be used to fund expenses as directed by external parties or laws. For example, grant funds might be received in advance, and those funds can only be spent on expenses allowed by the grant. Or fees may be established by legislation, and the funds collected from those fees can only be spent on expenses as specified in the legislation.

Unrestricted resources correspond to the portion of net position that is reported as unrestricted and represent assets where those assets have no external restrictions on how they are spent.

General Policies

To the extent Metro incurs expenses for which both restricted and unrestricted resources are available, Metro shall use restricted resources first, then unrestricted resources as they are needed.

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



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accounting records as shall be required by the director of finance.

Associated Policies

Finance Department Policy 1.10 Fund Balance

Finance Department Policy 1.7 Departmental Use of Funds Approval

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