

Department of Finance and Administration
Policy 4 – Recognition of Revenues and Expenditures
Definitions and Guidance
(Revised August 2012)

Introduction and Background

1. This Policy Statement revises the previous policy statement approved in June of 1988. The Statement provides guidance and uniform treatment for the receipt of funds and recording of revenue and expenditures. This Policy Statement is issued in accordance with the authority granted under T.C.A. 4 – 3-1007.

General Rule and Applicability

2. All receipts of funds, and all disbursements of funds, including funds that pass through State government to other entities shall be recorded in the State's general ledger in accordance with this Policy Statement and in accordance with governmental accounting standards. Policy 9 also addresses revenue recognition on the modified accrual basis - Revenue Recognition of Taxes, Licenses, Permits and Fees on the Modified Accrual Basis (Revised August 2005).

3. All state departments, agencies, boards and commissions are hereby required to comply with this Policy Statement. This Policy Statement is applicable when approved.

I. Definitions for the Recording of Revenue and Expenditures

4. **Revenue**: Revenue is the income of a government entity from taxation, fees, or other sources and appropriated for the payment of public expenditures. There are two classes of revenue which will potentially be received by those entities affected by this Policy Statement 4: non-departmental revenue and departmental revenue.

5. **Non-departmental revenue**: Considered general revenues of state government and the primary source of funding for state expenditures. Typically these consist of proceeds from taxes, licenses, fees, fines, forfeitures, settlements and other levies.

6. **Departmental revenue**: Revenue collected by a department in the course of its operations for its own use. These revenues are appropriated directly to the collecting department and include federal, current services, and interdepartmental sources. Typically these consist of grants from the federal government, as well as other governmental and non-governmental sources, earnings and charges for goods and services.

7. **Expenditures/Expense**: Disbursement of government funds through a cost or a charge. General fund, special revenue fund, capital projects fund, and debt services fund, refer to funds spent as expenditures. Internal service and enterprise funds refer to funds spent as expenses.

II. General Guidance in the Recording Revenue and Expenditure

8. The agency shall record the accounting entry for all receipts of funds in the State's general ledger in the month they were received. Receipts should be deposited in accordance with Policy 25 - Deposit Practices Policy. In no circumstance should the deposit wait until the accounting entry has been made. If funds are received but the agency does not know the specific account to credit, it may temporarily credit a deposit suspense account so that the funds can be deposited in accordance with Policy 25. The agency should research and then debit the deposit suspense account and credit the specific account before the close of the accounting month when the funds were received. Likewise, when a citizen, entity or other government owes the State funds, the agency shall record the accounts receivable in the State's general ledger in the month in which the event occurred. See Policy 23 -Accounts Receivable – Recording, Collection and Write-Offs.

9. **Departmental Revenue**: All receipts of funds which are properly classified as departmental revenue shall be recognized and recorded in the accounting records as such. When the receipt of funds is the return of an expenditure previously recorded, (for instance, overpayment of an invoice) - see Policy 2 – Accounting for Recoveries and Refunds.

10. When an agency receives funds in the current fiscal year which should have funded expenditures of a prior year and no accounts receivable was established in the prior year, contact the Division of Accounts for recording instructions.

11. **Non-Departmental Revenue**: All receipts of funds which are properly classified as non-departmental revenue shall be recognized and recorded in the accounting records as such. When the receipt of funds is the return of an expenditure previously recorded – see Policy 2 – Accounting for Recoveries and Refunds.

12. **Expenditures/Expenses**: All expenditure/expense of funds shall be recognized and recorded in the accounting records as such. When a disbursement of funds is a refund - See Policy 2 - Accounting for Recoveries and Refunds.

Approval of the Commissioner of Finance and Administration

I, Mark A. Emkes, hereby approve Policy Statement 4 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed Mark A. Emkes Date 8-15-2012
Mark A Emkes, Commissioner *MAE*
Department of Finance & Administration

Approval of the Comptroller of the Treasury

I, Justin P. Wilson, hereby approve Policy Statement 4 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed Justin P. Wilson Date 8-21-2012
Justin P. Wilson, Comptroller
Office of the Comptroller of the Treasury