

City of North Mankato Revenue and Expenditure Recognition Policy

Purpose

To establish a consistent method for recognizing and reporting revenue and expenditures in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).

Fund Types and Classifications:

Governmental Funds – General fund, Special revenue funds, Capital Projects funds, Debt Service funds and Permanent funds.

Proprietary Funds – Enterprise funds and Internal Service Funds.

Fiduciary Funds – Pension funds, Investment Trust funds, Private-Purpose Trust funds, and Agency funds.

Revenue Recognition Policy

The City of North Mankato considers property taxes, sales and use taxes, and franchise taxes revenue that are recognized in the period they are susceptible to accrual; when they become both measurable and available to finance the expenditures within 60 days of the end of the fiscal period (last day of February).

Interest and dividends are recognized in the period earned.

Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met.

All other revenues are considered available if collected within 60 days (last day of February) of the end of the current fiscal year.

Accounting Guidance:

GASB Codification Section N50 provides guidance on the recognition of revenues arising from nonexchange transactions involving financial or capital resources, including taxes; fines and forfeitures; certain grants, entitlements, and similar items; donations; and any subsequent contravention of eligibility requirements or purpose restrictions. In addition, the following recognition rules apply:

Governmental Funds -- Modified Accrual Basis

Revenues are recognized when they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current period.

Measurable means possible to record the actual amount receivable or an estimated amount based on goods or services provided.

Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (see policy above).

Proprietary Funds and Fiduciary Funds -- Accrual Basis

Revenues are recognized in the accounting period in which they are earned and become objectively measurable.

- Earned - goods or services have been provided by December 31st
- Measurable – estimable

Expenditure Recognition Policy

GASB Codification Section N50 provides guidance on the recognition of liabilities arising from nonexchange transactions involving financial or capital resources, including certain grants, entitlements, and similar items; donations; and any subsequent contravention of eligibility requirements or purpose restrictions. In addition, the following recognition rules apply:

Governmental Funds - Modified Accrual Basis

- Expenditures are recognized when measurable and generally when the liability is incurred (purchased) and will be paid from current resources.
- The expenditure should be recognized if the amount due is determined by the last day of February (60 day rule) and the goods or services were purchased by December 31st.

Proprietary Funds and Fiduciary Funds

- Expenses are recognized in the period incurred, if measurable.
- Incurred - Item purchased has been received and used; or the service has been performed by December 31st.
- Measurable - When the invoice is received the amount is usually determinable.

Approved

December 19, 2016