

3. ACCOUNTING

3.6 Revenues

3.6.9 Revenue Accruals in Governmental Funds

- 3.6.9.10 Generally accepted accounting principles require that governmental funds recognize revenues in the accounting period in which they become susceptible to accrual – that is, when they become both **measurable** and **available** to finance the expenditures of the fiscal period.
- 3.6.9.20 Measurable refers to the ability to quantify in monetary terms the amount of revenues.
- 3.6.9.30 Financial resources are available to the extent they are collectible within the current period or soon enough thereafter to be used to pay liability of the current period. Governments can choose the length of the availability period. However, the availability period for the property tax revenue recognition is limited to no more than 60 days.¹ It is recommended that governments attempt to use a single availability period.
- 3.6.9.40 Amounts that are available, but do not meet the criteria for revenue recognition, should be reported as deferred inflows.
- 3.6.9.50 Remember that the accrual requirements do not apply to immaterial amounts. Also, the criteria for asset and revenue recognition are not always the same.
- 3.6.9.60 If a recipient government is not able to obtain timely information to estimate accrual amounts necessary to record a nonexchange transaction, it may use any method (including, but not limited to cash received) that provides a reasonable estimate.
- 3.6.9.70 The general standards for recognizing revenues related to nonexchange transactions are established in the [GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions](#) and the [Statement 36, Recipient Reporting for Certain Shared Nonexchange Revenues](#).
- 3.6.9.80 The provisions of the Statement 33 for the full-accrual basis revenue recognition in governmental funds apply only to their government-wide presentation.

¹ NCGA Interpretation 3

Revenue Type	Description/Class	BARS Code	Revenue Recognition
EXCHANGE and EXCHANGE-LIKE Transactions	It occurs when both parties exchange equal or similar, though not quite equal values.	320, 340, 348, 361, 362	When measurable and available.
NONEXCHANGE Transactions	It occurs when a government gives (or receives) something of value to (or from) another party without directly receiving (or giving) equal value in exchange. There are four classes of nonexchange transactions:		
	<u>Derived tax revenue</u> (e.g., sales tax, motor fuel tax, hotel/motel tax, and similar taxes on earnings or consumption)	313, 314, 316	Period when underlying exchange has occurred and resources are available. (Advanced receipts should be reported as unearned revenues.)
	<u>Imposed nonexchange transactions</u> (e.g., property taxes, special assessments, most fines and forfeitures, etc.)	311, 312, 350, 368	Period when resources are required to be used or first period that use is permitted. For property taxes, the period for which they are levied. Resources should also meet the availability criteria.
	<u>Government-mandated nonexchange transactions</u> (e.g., federal/state mandates on local governments) <u>Voluntary nonexchange transactions</u> (e.g., certain grants, entitlements, most donations, etc.)	331, 332, 333, 334, 335, 336, 337, 367	Period when all eligibility ² requirements have been met and resources are available. (Advance receipts or payments for use in the following period should be recorded as deferred revenues or advances.)

² The [GASB Statement 33](#) specifies four kinds of eligibility requirements: (1) the recipient has the characteristics specified by the provider, (2) time requirements have been met, (3) the recipient has incurred allowable costs under the provider's program, which specifies that resources will be provided only on a reimbursement or "expenditure-driven" basis; and (4) for voluntary nonexchange transactions only, the recipient has complied with any contingencies stipulated by the provider.