



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

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Issued By: Community Engagement and Finance Division
Bureau of Local Government and Schools Services

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Topic: Federal and State Reimbursements for the American Rescue Plan Act (ARPA)

Summary:

To assist local units with receipting revenues related to ARPA, Treasury is providing the following guidance on how to record and accrue these funds.

In accordance with the ARPA, there will be direct federal payments to metropolitan cities¹ and counties. Other units of government will receive grants passed through the state of Michigan although this will still be considered federal funding.

Revenue Account:

Local units should use account 528-*Other Federal Grants* for recording the revenues associated with these grants. It is acceptable to point off this account if desired.

Accrual:

When this revenue would be recorded is dependent on several items pertaining to each local unit including fiscal year end and when the grant has been officially executed.^{2,3}

No funds may be accrued back to a fiscal year that ended before March 11, 2021, the date the act became law⁴.

No revenue may be recorded until both of the following occur: 1) an award has been executed and 2) eligible expenditures are incurred⁵.

Each local unit should record these transactions (both revenues and expenditures) within the funds that applicable expenditures were incurred. ARPA funds are restricted based on the nature of the applicable fund.

¹ ARPA Section 603(g)(4)

² GASB Implementation Guide No. 2019-1 ¶4.7

³ The execution of an award would be the earlier of 1) the receipt of the notice that your local unit has been granted/awarded and the amount has been disclosed, or 2) the actual deposit of funds.

⁴ GASB Technical Bulletin 2020-1, Question No. 3

⁵ Note that revenue loss, once calculated, still requires the use of those funds for "government services" as defined by section II.C. of the US Treasury's Interim Final Rule. In other words, incurring a revenue loss in and of itself is not an eligible expenditure.

Fund-Based⁶ Financial Statements Journal Entries

Funds Available⁷, Funds Received, Expenditures Incurred⁵

If eligible expenditures have been incurred and the funds have been received, the following entry should be recorded:

XXX-000-001 Cash	\$XXX	
XXX-000-528 Other Federal Grants		\$XXX

Funds Available⁷, Funds Not Received, Expenditures Incurred⁵

If the award has been executed and eligible costs are incurred, but reimbursement is available and not yet received, the following should be recorded:

XXX-000-078 (079) Due from State (Federal Government)	\$XXX	
XXX-000-528 Other Federal Grants		\$XXX

Funds Available⁷, Funds Received, Expenditures Not Incurred⁵

If funds are received in advance of incurring eligible expenditures, then record cash with an offset to Unearned Revenue.

XXX-000-001 Cash	\$XXX	
XXX-000-339 Unearned Revenue		\$XXX

Qualifying criteria can be incurred through December 31, 2024, so one would want to keep the entry booked to the Unearned Revenue until such time as said criteria can be met.

Funds Not Available⁷, Funds Not Received, Expenditures Incurred⁵

If the award has been executed and eligible costs are incurred, but funds are not available, a receivable and deferral would be recorded.

XXX-000-078 (079) Due from State (Federal Government)	\$XXX	
XXX-000-360 Deferred Inflows – Unavailable Revenue		\$XXX

One would credit 528 Other Federal Grants for Government-Wide Statements while booking the Due from Federal or State Government or Cash. If a separate fund is preferred, please use an open number between 285-287.

Documentation:

⁶ Government-wide reporting for these reimbursements is expected to mirror the fund accounting and do not require any adjustments unless the revenue is not received within the period of availability. See last example entry.

⁷ "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period." GASB Cod. 1600.106 "The length of time used to define a available for purposes of revenue recognition in the governmental fund financial statements" is set by local policy and is usually 60 days.

All corresponding expenditures used for reimbursement purposes must be tracked with detailed supporting documentation. This information must be maintained so if required it can be made available for review by the granting agencies, your audit firm, or other applicable entity.

Single Audit⁸:

A non-federal entity that expends \$750,000 or more during the entity's fiscal year in federal awards must have a single or program-specific audit conducted for that year..."

Scope of Audit⁹:

- The audit must be conducted in accordance with generally accepted government audit standards (GAGAS)
- Financial statements must be presented fairly in all material respects in accordance with generally accepted accounting principles.
- Auditor must determine whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards that may have a direct and material effect on each major program.
- All those that receive federal funds must also comply with the following:
 - Make your records available for review or audit by appropriate officials including pass through entities.
 - Document qualifying expenditures or reductions in revenue that meet the requirements of ARPA.
 - Maintain internal controls over the expenditure of federal aid.
 - Prepare financial statements and a schedule of expenditures of federal awards.
 - Submit to a Single Audit, if required, at additional cost.
 - Ensure your audit firm has the requisite qualifications to complete a Single Audit.
 - Prepare corrective action plan for findings if applicable.

⁸ 2 Code of Federal Regulations (CFR) § 200.501

⁹ 2 CFR § 200.514