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NUMBERED LETTER 2020-4

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

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Topic: Federal and State Reimbursements for Hazard Pay, Public Safety, and Revenue Sharing Grants

Summary:

To assist local units with the receipting of revenues related to the CARES Act, Treasury is providing the following guidance on how to record and accrue these funds that have been granted under Public Act 144 of 2020:

In accordance with this Act:

- \$100 million has been allocated for the [First Responder Hazard Pay Premiums Program \(FRHPPP\)](#)
- \$200 million has been allocated for the [Public Safety and Public Health Payroll Reimbursement Program \(PSPHPR\)](#)
- \$150 million has been allocated to local governments for replacing their August 2020 revenue sharing payment with Coronavirus Relief Local Government Grants (CRLGG)

Revenue Account:

Local units must use account 528-*Other Federal Grants* for recording the revenues associated with these grants.

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.¹

No receivable or revenue may be recorded until both of the following occur: an award has been executed and eligible expenditures are incurred. In this case, the execution of an award would be the earlier of (1) the receipt of Treasury notice² that your application has been granted/awarded and the amount has been disclosed, or (2) the actual deposit of funds.

Each local unit should record these transactions (both revenues and expenditures) either within existing funds or, if the local unit desires tracking this in a new fund, the local unit should use fund 282 – CARES Act.

¹ GASB Implementation Guide No. 2019-1 ¶4.7

² Receipt may include the posting of the grant amount approval on the Treasury Website.

Fund-Based³ Financial Statements Revenues

Fiscal Years Ending April through June 2020

No receivables or revenues exist until fiscal year 2021, because the grant awards are being made after July 1, 2020. Therefore, entities with fiscal years ending April through June 2020 will not be recording anything related to these awards until their subsequent fiscal year (FY 2021).

Fiscal Years Ending September 2020 through June 2021

Assuming eligible expenditures have already been incurred, upon receipt of the funds the following entry should be recorded:

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

If the award has been executed (in accordance with the parameters above) and eligible costs are incurred, but reimbursement is not yet received, then replace the debit to cash with 078 - Due from State.

If the cash is received in advance of incurring eligible expenditures, a local unit should record cash with an offset to a liability account.⁴

XXX-000-001 Cash	\$XXX	
XXX-000-228 Due to State		\$XXX

Local units with a June 30 fiscal year end are not able to accrue these funds back to the previous fiscal year according to Government Accounting Standards Board (GASB) Technical Bulletin 2020-1, Question No. 3.⁵

Any amendments to legislation “even when enacted with retroactive provisions, subsequent to the statement of net position date but before the issuance of financial statements do not represent conditions that existed as of the period-end being reported. Any amendment to [legislation] enacted subsequent to the statement of net position date should be considered in the financial statements for the reporting period in which the amendment was enacted.”⁶

We understand that Section 805 of PA 144 indicates that local governments “may accrue payments received under this section to their immediately preceding fiscal year” contrary to the guidance illustrated above and generally accepted accounting principles. However, if a local government chooses this option, it may result in a modification of opinion in the corresponding audited financial statements.

³ Government-wide reporting for these reimbursements are expected to mirror the fund accounting and do not require any adjustments.

⁴ GASB Technical Bulletin 2020-1, Question 1

⁵ This does not apply to the counties of Wayne, Oakland, Macomb, Kent, and the city of Detroit, for those funds received prior to June 30, 2020.

⁶ GASB Technical Bulletin 2020-1, Question No. 3

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Restricted Funds and Documentation:

These grants are restricted for CARES Act eligible expenses and may only be used for the purposes outlined in the public act. Regardless of the fund utilized for recording these transactions, they must be recorded as restricted.

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, and the Michigan Department of Treasury.