

# Introduction to American Rescue Plan Act of 2021:

## Basics of Budgeting, Accounting, and Cash Management



NORTH CAROLINA  
DEPARTMENT OF STATE TREASURER



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA



# Accepting ARP/CLFRF Funds

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Board must vote in official meeting to accept ARPA Funds and appoint an official or employee to take all required actions to receive monies

May adopt resolution instead (sample [here](#))



# Managing ARP/CLFRF Cash

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MUST deposit in Official  
Depository

MAY co-mingle with other  
local government monies

DO NOT NEED separate  
bank account

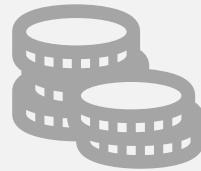




# Budgeting Fundamentals



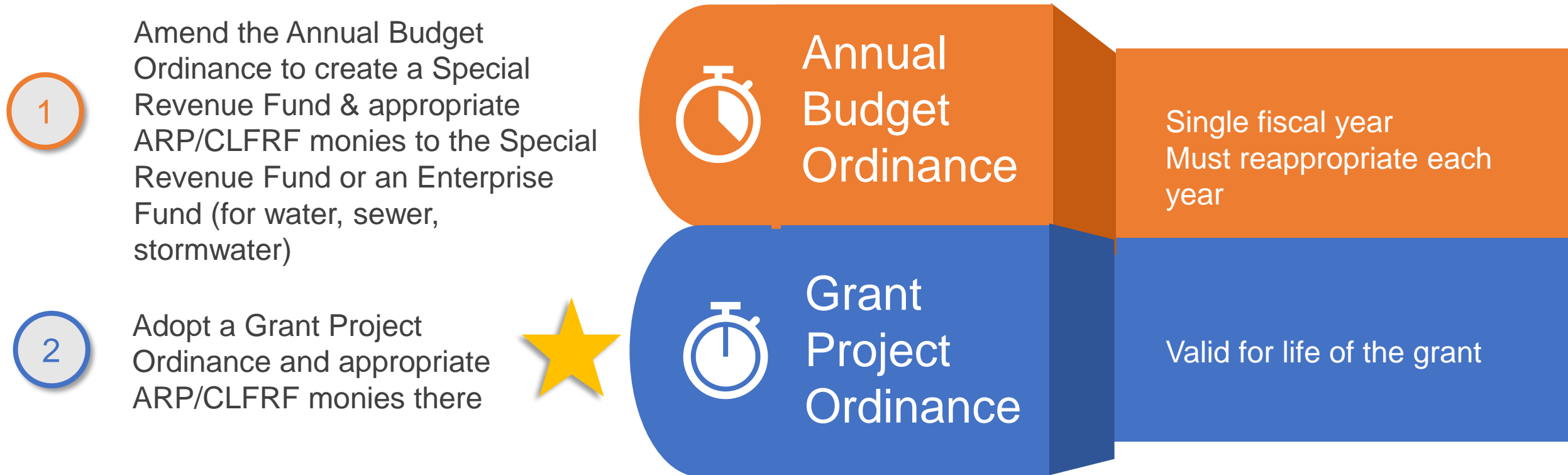
DO NOT need to  
budget until obligate  
funds



**MUST BUDGET  
BEFORE OBLIGATE  
FUNDS**

# Budgeting Options

There are two budgeting options for CLFRF Monies.



# Grant Project Ordinance for the Town of TarHeel American Rescue Plan Act of 2021: Coronavirus State and Local Fiscal Recovery Funds

**BE IT ORDAINED** by the town council of the Town of TarHeel, North Carolina that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following grant project ordinance is hereby adopted:

## Describe Grant Projects Generally

**Section 1:** This ordinance is to establish a budget for a project to be funded by the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (CSLFRF). The Town of TarHeel has received the first tranche in the amount of \$1,000,000 of CSLFRF funds. The total allocation is \$2,000,000, with the remainder to be distributed to the town within 12 months. These funds may be used for the following categories of expenditures, to the extent authorized by state law.

1. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

**Section 2:** The following amounts are appropriated for the project and authorized for expenditure:

Appropriate  
Monies to Specific  
Projects

Assign each project to appropriate  
EC to aid in reporting

			Appropriation	Appropriation of CSLFRF Monies	Appropriation of Other Monies (specify revenue source)
0001	Vaccination Incentive Program for Employees (\$100 per employee who is fully vaccinated on or before Oct 31, 2021)	1.1		\$5,000	\$0
0002	Food assistance program for low-income citizens	2.1		\$35,000	\$0
0003	Part-time grant administrator to manage CSLFRF programs and compliance requirements	7.1		\$56,000	\$0
0004	Premium pay for essential employees (\$6.00 per hour supplement for 3 public works and 6 law enforcement employees for hours worked between March 2020 and Sept 2020)	4.1		\$3,600	\$0
	Brenthill water line extension in conserved area with 4,000 linear feet of wells (4,000 linear feet of public water main)			\$5,000	\$0
	Unassigned****			\$1,438,400	
		Total:		\$2,000,000	

Grant project ordinance is a special revenue fund. May not include debt that may be associated with a project.

Remaining grant funds are unassigned until appropriated to a specific project

Appropriate  
Revenues

(Must exactly equal  
appropriations)

**Section 3:** The following revenues are anticipated to be available to complete the project:

<b>CSLFRF Funds:</b>	\$2,000,000
<b>General Fund Transfer:</b>	\$0
<b>Total:</b>	<b>\$2,000,000</b>

Detail Any  
Directives

**Section 4:** The Finance Officer is hereby directed to maintain sufficient specific detailed accounting records to satisfy the requirements of the grantor agency and the grant agreements.

**Section 5:** The Finance Officer is hereby directed to report the financial status of the project to the governing board on a [monthly/quarterly]] basis.

**Section 6:** Copies of this grant project ordinance shall be furnished to the Budget Officer, the Finance Officer and to the Clerk to Town Council.

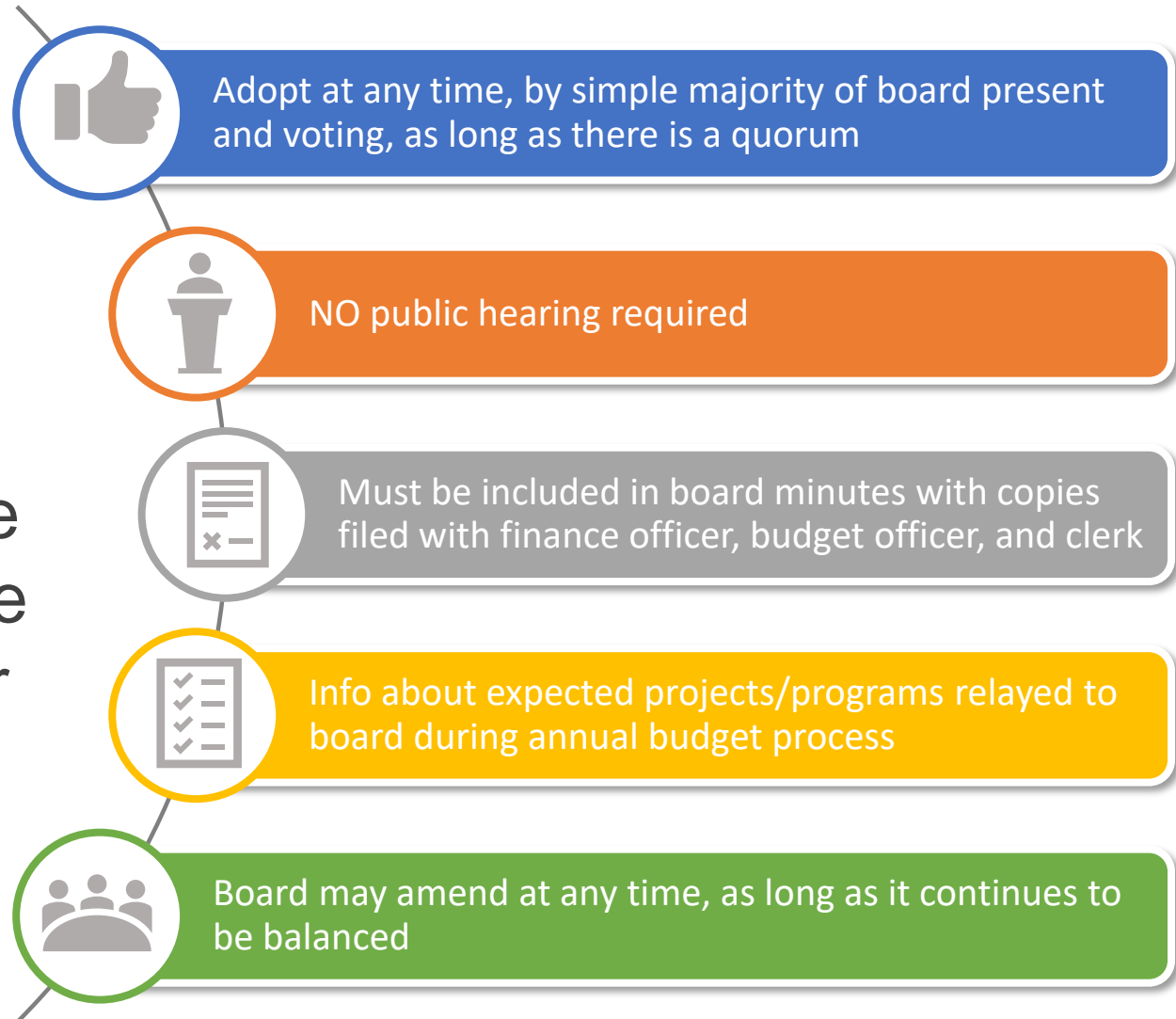
Add Expiration  
Provision

**Section 7:** This grant project ordinance expires on December 31, 2026, or when all the CSLFRF funds have been obligated and expended by the town, whichever occurs sooner.

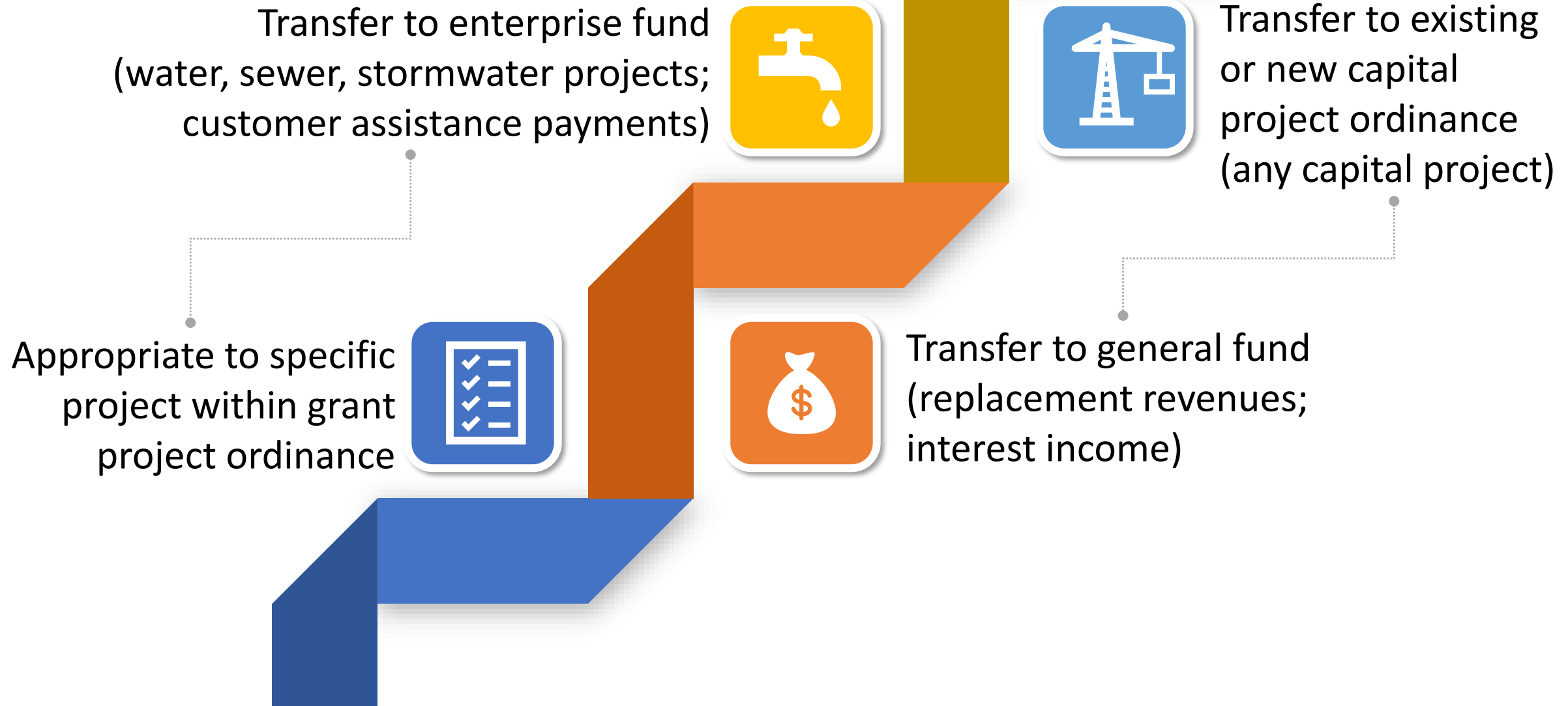


# Adopting Grant Project Ordinance

Adopting a grant project ordinance is a simple process. The only legal requirements are that it be balanced and that there be specific appropriations for each "project."



# Budget Amendments



# Accounting and Cash Management Guidelines

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# CFR Grantee Financial Management Requirements

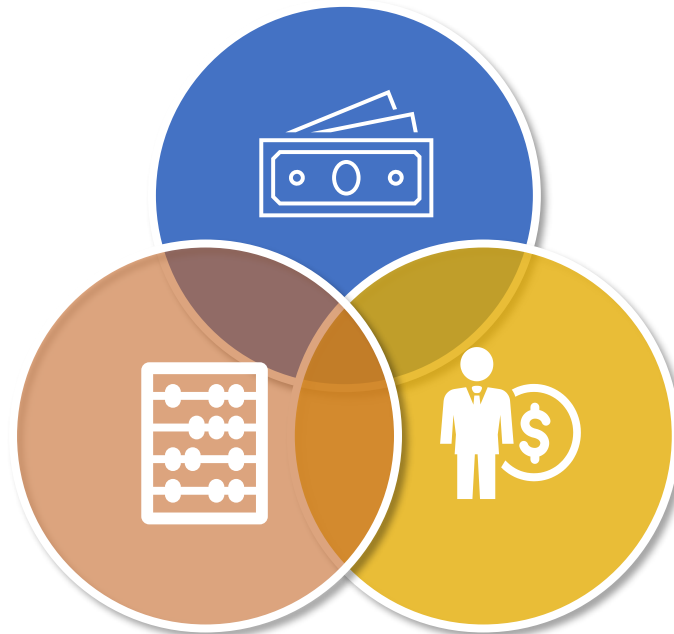
## System capabilities

- Fund accounting \*
- Reporting \*
- Internal control
- Budgetary control\*
- Written cash management policies
- Written cost allowability procedures
- Record-keeping and source documentation

*\* Indicates our focus in today's sessions*

# Fund Accounting Context

State and local governments  
utilize fund accounting as  
part of their GAAP  
accounting and external  
reporting requirements



OMB requires that fund  
accounting be utilized to  
manage ARP/CLFRF grants

No federal guidance on how  
best to utilize fund accounting



# Accounting Guidance

HIGHLY  
RECOMMENDED  
THAT A GENERAL  
FUND **NOT** BE  
USED!

- Gives the appearance that funds are being used to build fund balance reserves **which is strictly prohibited by ARP/CLFRF guidelines**
- Skews true operating results and long-term trend analysis

Monies may  
ultimately be  
transferred into  
a general fund  
for appropriate  
uses

- Frontline premium pay
- Vaccine incentives
- Revenue replacement

# Recommended Funds



## Special revenue fund

- Use to initially report the funds received
- Allowed to adopt a grant project ordinance that covers the life of the project
- Funds may be transferred to other funds as uses are decided

## Other funds to account for funds once uses are decided

- Capital project funds
- Water/wastewater funds
- General fund

# Key points to remember

- Transfers must be budgeted
- Use of a capital reserve fund (G.S. 159-18 thru 159-22)
  - Not prohibited but has additional limitations
  - Once monies placed in a capital reserve fund, the monies may not be used for anything else but a capital purpose
  - This may not be changed by future governing boards
  - ARP/CLFRF funds cannot be used for debt service so truly limited to capital costs

# Sample CLFRF Grant Project Ordinance Budget Amendment

**Scenario: Transferring \$500,000 to General Fund for premium pay for public safety staff**

**Town of TarHeel  
Budget Amendment #1  
CLFRF Project Fund**

**Section 2 of the CLFRF Grant Project Ordinance Budget is amended as follows:**

CLFRF Project funds appropriated:

CLFRF Project	\$1,500,000
Transfer to General Fund	<u>\$ 500,000</u>
	\$2,000,000

**Section X of the General Fund Budget ordinance is amended to increase appropriations as follows:**

Public Safety	\$500,000
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**Section Y of the General Fund Budget ordinance is amended to increase transfers in as follows:**

Transfer in from CLFRF Grant Project	\$500,000
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***NOTE TO PREPARER: This is a sample budget ordinance amendment. Please make this fit your budget structure.  
This amendment is in no way related to the second sample budget ordinance amendment.***

**Scenario: Transferring \$1,500,000 to Sewer Capital Project Fund:**

**Town of TarHeel  
Budget Amendment #2  
CSLRF Project Fund**

**Section 2 of the CLFRF Grant Project Ordinance Budget is amended as follows:**

CLFRF Project funds appropriated:

CLFRF Project	\$ 500,000
Transfer to Sewer Capital Project	<u>\$1,500,000</u>
	\$2,000,000

**Section X of the Sewer Capital Project Fund Budget ordinance is amended to increase appropriations as follows:**

Sewer plant upgrade	\$1,500,000
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**Section Y of the Sewer Capital Project Fund Budget ordinance is amended to increase transfers in as follows:**

Transfer in from CLFRF Grant Project	\$1,500,000
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***NOTE TO PREPARER: This is a sample budget ordinance amendment. Please make this fit your budget structure.  
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# Financial Statement Impacts

Funds are granted with eligibility requirements

- Not recognized as revenue until obligated or spent
- At year end, the unobligated/unspent monies reported as a liability (not as a deferral)

Funds must be obligated by  
December 31, 2024

Funds must be spent by December  
31, 2026

# Cash Management Impacts

- Governments should already have written cash management policies
- ARP/CLFRF funds are managed similarly to how other governmental monies are managed currently
  - Same cash management policies apply
    - Banking requirements
    - Central depositories
  - Same investment management policies apply
    - G.S. 159-30
- ARP/CLFRF funds and CVR/CARES funds **CANNOT** be commingled for accounting purposes (i.e., should be in separate special revenue funds)
  - *May be included in central depository and investment pools for cash and investment management purposes*

# Where should these funds go?

- A separate bank account is not required and funds may be included in the central depository
  - Revenues and expenditures must be fully trackable by the accounting system
  - If that cannot be done, a separate bank account could then be used
- All statutory requirements for cash management apply to the management of ARP/CLFRF monies

# Investment Impacts

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ARP/CLFRF funds may be invested in accordance with G.S. 159-30, as well as the entity's adopted investment policy

- Investment earnings are considered unrestricted when earned
- Investment earnings must be initially allocated proportionally to the accounting funds that earned them (by state law)
- Those earnings could then be transferred to other funds for any legal use (and not spent for ARP/CLFRF purposes if any entity chooses to do so)
- Any transfer requires a budget amendment

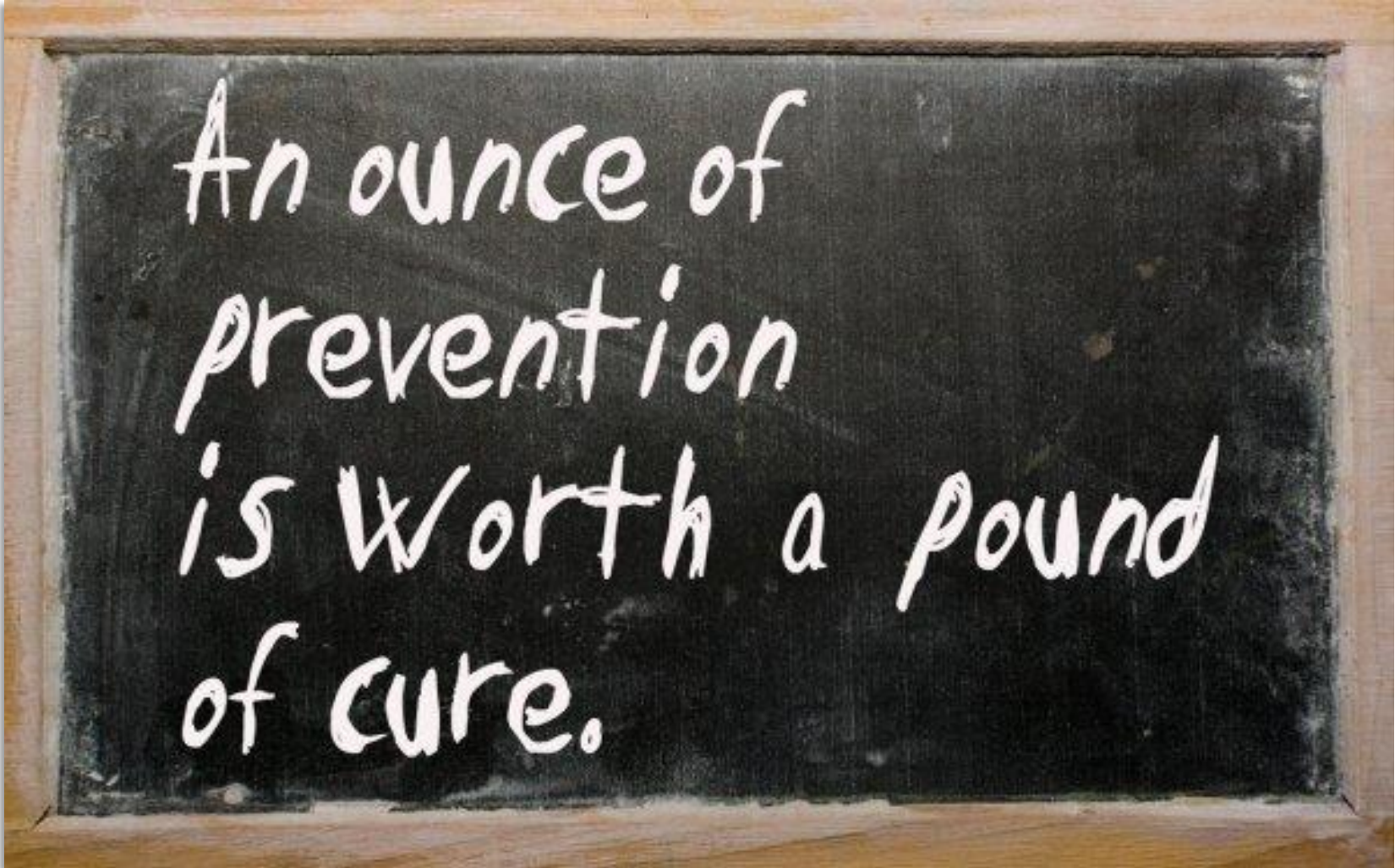


# Compliance

Award Terms	Uniform Guidance 2 CFR 200		State Law
SAM.gov registration	Internal Controls	Eligibility Allowable Costs	Local Government Budget & Fiscal Control Act
Civil Rights Compliance	Subawards	Reporting	State Procurement Laws
Period of Performance	Procurement	Audit	State Contracting Requirements
Records Retention	Property Management	Program Income	Process Requirements for Certain Projects



Uniform  
Guidance  
Moto



An ounce of  
prevention  
is worth a pound  
of cure.

# Uniform Guidance: Financial Management

2 CFR 200.302-.305

## **Fund accounting**

- Accurate identification of ARP/CLFRF award
- Must be able to track ARP/CLFRF award separately
- Include obligations, unobligated balances, assets, outlays, income, and interest
- Produce financial reports in compliance with US Treasury reporting requirements

## **Budgetary control**

- Track ARP/CLFRF by cost category
- Compare outlays with budgeted amounts in real time

## **Written cash management procedures**

- Controls to ensure that ARP/CLFRF funds are spent within the appropriate time frame
- Procedures for approval of ARP/CLFRF project expenses, including contracts and subawards

## **Written cost allowability procedures (2 CFR 200.400)**

- Determining the reasonableness, allocability and allowability of costs

## **Record-keeping and source documentation (2 CFR 200.334-.338)**

- 5-year retention

# Upcoming Attractions

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- **Friday, October 15**

- Audits
- Internal Controls
- Subawards / Subrecipient Monitoring
- Reporting

- **Wednesday, October 20**

- Procurement
- Conflicts of Interest
- Allowable Costs
- Property Management
- Program Income





