



CARES Funding Accounting

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Overview

Today's session will address

- Accounting for the initial advance of CARES Funding
- Accounting for reclassifying eligible expenditures to a special revenue fund
- Accounting for establishing a receivable for CARES Funding provided on a reimbursement basis

Accounting Guidance

Key Considerations



Timing

- When must eligible expenditures be incurred

Nature of funds

- Restricted to certain kinds of expenditures

Accountability

- Due to nature of funding, likely to have heightened interest

Budget Amendment

- Resolution or ordinance to increase revenues and expenditures at the legal level of control (OCGA 36-81-3)

Any time new funding is introduced, it calls for use of professional judgment in determining the best method of accounting. Key considerations in this process are the timing in which eligible expenditures should be incurred, the nature of the funds determining the kinds of allowable expenditures, and accountability to taxpayers, auditors and funding agencies. Keep in mind the award of these funds will also require an amendment by ordinance or resolution to the budget.

CARES Accounting



Fund 220 Grant Fund

- Fund's expenditures > 2% of general fund operating budgeted expenditures (use is required)
 - UCOA does not prohibit use if the fund's expenditures are less than 2%

Fund 250 Multiple Grant Fund

- Funds < 2% general fund operating budget

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Taking the discussed key considerations into account, a best practice would be to use a special revenue fund. The Uniform Chart of Accounts (UCOA) has two grant funds that could be used. Fund 220 for expenditures exceeding 2% of the general fund operating expenditures or Fund 250 if expenditures are less than 2% of the general fund operating budget. Note the UCOA does not prohibit the use of Fund 220 even if expenditures fall below the 2% criterion. For purposes of our discussion, I will assume a government chooses to use Fund 220.

CARES Accounting



33 Intergovernmental Revenues

- 33.1100 Operating Categorical

Use directed towards specific objectives, specific conditions

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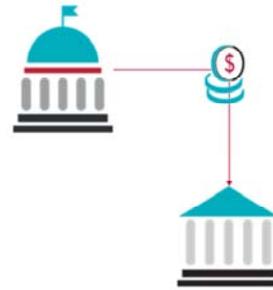
The CARES Funding would be considered an intergovernmental revenue. In particular, based on review of funding guidance provided, the Federal Grants Operating Categorical is recommended due to the requirement to spend towards specific objectives with specific conditions.

CARES Accounting



33 Intergovernmental Revenues

- 33.1100 Operating Non-Categorical Grants
 - Direct – transfers or payments received directly by local government from federal government (33.1110)
 - Indirect – transfers or payments passed through another agency (33.1150)



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The CARES funding was disbursed directly by the federal government to local governments with populations greater than 500,000. Other local governments received funds from the State of Georgia. Those receiving funds directly from the federal government would post to revenue account 33.1110. Those receiving funds from the state would post to revenue account 33.1150. In the examples shown, we will assume governments are in the less than 500,000 population category.

Initial Advance of Funds

Special Revenue Fund

Posting Date – date cash received

Account	Title	Debit	Credit
220.0000.11.1110	Cash in Bank	\$20,000	
220.0000.12.2500	Unearned Revenue		\$20,000

Note – the actual cash account will depend on your local chart of accounts

Assuming the use of a special revenue fund, the initial receipt of the 30% advance funding would be recorded with a debit to Cash and credit to Unearned Revenue posted to the date cash was received. Posting date is very important when accounting for transactions. For example, you may actually enter a transaction into your accounting system today but most systems have the option to select the date the amounts will post to. This date may be referred to as posting date, business date, or use other terminology. It is very important to be aware of this when entering these transactions. Unearned revenue would be recorded rather than revenue since the funding requires specified eligible expenditures to qualify as revenue. Keep in mind, you will use your government's cash account code if it differs from the one shown in this example.

Eligible Expenditures Identified

Special Revenue Fund

Amount recognized as revenue will be equal to eligible expenditures

Example, \$20,000 of eligible expenditures are identified and uploaded to the Grants Portal equal to the amount of the advance

Posting Date – date uploaded documentation to grant portal

Account	Title	Debit	Credit
220.0000.12.2500	Unearned Revenue	\$20,000	
220.0000.33.1150	Indirect Grant Revenue		\$20,000

Note – Assumes entry is for local government which received funding through State of Georgia

You are required to identify eligible expenditures in order to have the right to the revenue. The Governor's Office of Planning and Budget has provided guidance on their website regarding expenditures considered to be eligible. Assuming you have successfully identified eligible expenditures equal to your initial advance received and uploaded required documentation to the grants portal, you may reclassify the unearned revenue to the revenue account. The revenue account used in this example is for local governments which received funding from the state. Use the posting date as the same date you uploaded documentation to the grants portal. Should any of the expenditures submitted be rejected, you must enter a correcting entry for the expenditure amounts that did not qualify. This would involve also reclassifying the rejected amount from indirect grant revenue back to unearned revenue.

Terms and Conditions – 6.2

Interest Bearing Accounts

Must record any and all interest accrued on grant funds and report the interest to Governor's Office of Planning and Budget

Must provide documentation that interest was used for allowable costs or remit unused interest to OPB by 9/1/20

Posting Date – date interest posted to cash account

Account	Title	Debit	Credit
220.0000.11.1110	Cash	\$200	
220.0000.36.1400	Other Interest Revenue		\$200

In order to receive CARES Funding, each local government was required to agree to terms and conditions. Section 6.2 requires governments to record interest accrued on grant funds and report it to Governor's Office of Planning and Budget. The interest earned must be used for allowable expenditures by September 1 or remitted to Governor's Office of Planning and Budget. The entry in the accounting records would be a debit to Cash and a credit to Other Interest Revenue. Keep in mind if you have already incurred the allowable expenditures and are simply reclassifying these expenditures, interest earnings should not be an issue. The date posted would be the date interest posted to cash account.

Accounting for Reimbursements

Record a receivable from the state and associated revenue for the amount of unreimbursed eligible expenditures

Example - \$40,000 in specific eligible expenditures were identified as qualifying for CARES funding

Posting Date – date you identify eligible expenditures

Account	Title	Debit	Credit
220.0000.11.2700	Intergovernmental Receivable	\$40,000	
220.0000.33.1150	Indirect Grant Revenue		\$40,000

Local governments were advanced 30% of their allocated funding. We previously discussed how to record that advance and then recognize the revenue. In addition, local governments can receive the remaining 70% of allocated funding by identifying incurred eligible expenditures and uploading documentation to the grants portal to request reimbursement. After uploading to the portal, you can create an intergovernmental receivable equal to the total of expenditures documented not to exceed your allowable allocation. The entry to record this receivable is a debit to Intergovernmental Receivable and a credit to the Grant Revenue Indirect. The posting date is the date when you identify eligible expenditures. Remember, if any of your submitted expenditures are rejected, you must decrease the receivable and associated revenue shown in this transaction.

Accounting for Reimbursements

Example - the local government receives \$40,000 in reimbursed funds

Posting Date – date cash is received			
Account	Title	Debit	Credit
220.0000.11.1110	Cash in Bank	\$40,000	
220.0000.11.2700	Intergovernmental Receivable		\$40,000

Once the requested reimbursement is received, debit the Cash account and credit the Intergovernmental Receivable. Remember, you must use the cash account code according to your chart of accounts. All examples used in this presentation assume a separate bank account is not used for CARES. The posting date is the date cash is received.

Reclassification of Expenditures

Eligible expenditures may have been originally posted to the General Fund

If you choose to use the grant fund, eligible expenditures should be reclassified to the grant fund

Supporting documentation should support the reclassifying entry

Expenditures would be credited in the General Fund and debited in the special revenue fund. This will involve movement of cash if expenditures were already paid in the General Fund.

You will most likely identify eligible CARES expenditures in the General Fund. If you choose to use a special revenue fund, you will reclassify expenditures from the General Fund to the special revenue fund. The amounts reclassified must be supported by documentation as specified in Governor's Office of Planning and Budget guidance and uploaded to the grants portal. In moving expenditures between funds, you will utilize interfund receivables and payables that will result in moving cash by journal entry.

Sample Entry – Personal Services

Posting Date – date eligible expenditures were identified

Account	Title	Debit	Credit
100.0000.11.3200	Interfund Receivable – Grant Fund	\$19,980	
100.3280.51.1100	Personal Services – Regular Employees		\$19,980
Account	Title	Debit	Credit
220.3280.51.1100	Personal Services – Regular Employees	\$19,980	
220.0000.12.2100	Interfund Payable – General Fund		\$19,980

In this example, a public safety payroll expenditure in the amount of \$19,980 is reclassified from the General Fund to the Special Revenue Fund. The expenditure is credited in the General Fund and an Interfund Receivable is debited. The expenditure is debited to the Special Revenue Grant Fund and an Interfund Payable is credited. Keep in mind, your expenditure accounting must align with the account coding you originally used when the transaction was recorded. Expenditure accounts included here are for example only. This transaction will include entries to specific accounts originally posted in the system. This may include regular salaries, overtime, group insurance, social security, Medicare and other accounts in the 51.1000 through 51.2900 range. The posting date is the date eligible expenditures were identified.

Sample Entry – Personal Services

Posting Date – date cash is received

Account	Title	Debit	Credit
100.0000.11.1110	Cash in Bank	\$19,980	
100.0000.11.3200	Interfund Receivable – Grant Fund		\$19,980
Account	Title	Debit	Credit
220.0000.12.2100	Interfund Payable – General Fund	\$19,980	
220.0000.11.1110	Cash in Bank		\$19,980

Once cash is received from the state, you will clear the interfund accounts. The General Fund would be a debit to cash and a credit to the Interfund Receivable. The special revenue fund would be a debit to Interfund Payable and a credit to Cash. The posting date is the date cash was received.

General Fund Accounting



Eligible expenditures will typically have been originally posted to the General Fund

If you choose to leave the expenditures in this fund and post the CARES Funding revenue in the General Fund, be certain that you can separately identify the CARES Funding expenditures

Consider using a project code or using a separate object code such as 51.1199 when reclassifying expenditures

Typically eligible expenditures would have been previously recorded to the General Fund. You may choose to account for the CARES funding in the General Fund. If you do so, CARES revenue would be posted to the General fund. You must be able to separately identify the CARES expenditures. You could accomplish this by using a project code or setting up additional account codes. For example, you may reclassify personal services regular salaries from account 51.1100 to a new account 51.1199 Regular Salaries- CARES.

Capital Outlay



Any purchases that qualify for capitalization must be reported using uniform chart account numbers 54.1000 – 54.3000

Capital assets require additional tracking

If you identify an eligible expenditure that qualifies as a capital asset, be certain the expenditure code used is in the 54.1000 – 54.3000 account range. Capital assets require additional tracking.

Georgia Terms and Conditions

Section 3.1 Property Management and Inventory

2 CFR 200.33 Equipment – lesser of \$5,000 or non-federal entity capitalization level

2 CFR 200.310 through 200.316 and 200.329

- Provide insurance coverage
- Use property and equipment for federal purpose
- Maintain property records including affixing tags or labels (See section 3.1.2 of Georgia Terms and Conditions)
- Inventory at least every two years
- Safeguard property against loss, damage or theft
- Maintain equipment
- Property records should indicate federal share of purchase cost

In the terms and conditions you signed, Section 3.1 refers to property management and inventory. In particular, the guidance from Title 2 Part 200 of the Code of Federal Regulations for uniform grant guidance is required to be followed. Equipment is defined as those purchases with a useful life of more than one year for which the purchase price is the lesser of \$5,000 or a threshold established by the local government. Typical tracking is required including requirement to provide insurance, use property and equipment for federal purpose, maintain property records, inventory at least every two years, protect and maintain the asset. Property records should indicate federal share of purchase cost. Keep in mind there are typically specific instructions on use of proceeds from the sale of an asset purchased with federal funds.

Audited Financial Statements

Fiscal years for Georgia local governments vary

Recommend you consult with your financial statement auditor regarding required entries to reflect the CARES funding in the proper fiscal year

Governments with a fiscal year end of June 30 should consider accounting guidance to ensure the financial statements properly report transactions

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Fiscal years for local governments vary. A good practice is to consult with your auditor regarding your approach to accounting for CARES funding. Governments with a fiscal year end of June 30 should consider accounting guidance when preparing audited external financial statements to ensure transactions are properly reflected by fiscal year. You will want to consider basis of accounting guidance and the point at which you can recognize receivables at year end. Keep in mind for those governments with a fiscal year end of June 30, you will likely be posting transactions to two fiscal years – fiscal year ended 6/30/20 and the fiscal year beginning 7/1/20. The date of the eligible expenditures should be used as part of your determination of which fiscal year to post to.

Resources

Resources

<https://opb.georgia.gov/CARESact>

- GeorgiaCARES Portal Training
- GeorgiaCARES Local Government Training
- Federal guidance

www.ecfr.gov Title 2, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

<https://www.dca.ga.gov/local-government-assistance/research-surveys/uniform-chart-accounts-ucoa> Uniform Chart of Accounts for Local Governments in Georgia

Please visit the CARES Act guidance that the Governor's Office of Planning and Budget has provided on their website. There are videos with overviews of eligible expenditures and guidance on accessing the CARES portal. There are also links to federal guidance. To access the uniform grant guidance referenced in the terms and conditions, you can visit ecfr.gov and navigate to title 2 part 200. Finally, the link to the uniform chart of accounts is also provided.

Support

Georgia Office of Planning and Budget CARES@opb.Georgia.gov

State Accounting Office compliance@sao.ga.gov

For questions regarding eligibility and compliance, please use these email addresses

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You are encouraged to work with your Department of Community Affairs regional contact to get answers to questions as well.

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