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Single Audit and ARPA Update

Presented by:

James Halleran, CPA, Partner

Ben Clark, CPA, Manager



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- How to ask questions
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Your Presenters



MEET James Halleran, CPA Partner

James has more than 25 years of experience in the accounting profession, with an emphasis on governmental and nonprofit accounting and auditing. During his tenure with James Moore, he has been extensively involved with entities that receive state and federal financial assistance subject to Government Auditing Standards, the Florida Single Audit Act and OMB Uniform Grant Guidance.



MEET Ben Clark, CPA Manager

Benjamin has over six years of accounting and auditing experience. He works on audits, compilations and reviews and is a key member of our Accounting & Auditing Services Team. The vast majority of his efforts focus on government entities, nonprofit organizations, and higher education entities, giving him in-depth knowledge of Uniform Guidance and other federal and state audit guidelines.

Agenda

- Overview of the American Rescue Plan Act (ARPA)
- American Rescue Plan Act – State and Local Fiscal Recovery Fund Overview
- What can I use these funds on? – *Eligible uses of ARPA funds for States and Local Governments*
- Reporting Requirements for ARPA funds
- GFOA Guiding Principles for Spending ARPA Funds



Overview of the American Rescue Plan Act (ARPA)

American Rescue Plan Act - Overview

- How did we get here?
 - Since the COVID-19 pandemic occurred, four appropriations bills have been passed by congress: \$8.3 billion Coronavirus Preparedness Act, Families First Coronavirus Response Act, \$2 trillion CARES Act, \$900 billion CRRSA
 - American Rescue Plan Act (ARPA) was passed March 27, 2020 – Total funding was \$2 trillion
 - The ARPA not only added to previously created “funds,” it created two new funds: The Coronavirus State Fiscal Recovery Fund (CSFRF) and the Local Fiscal Recovery Fund (CLFRF)
 - The U.S. Treasury issued an Interim Final Rule spelling out the guidelines surrounding uses of the funds. CAUTION: There could be updates or changes as this is only an interim rule.

American Rescue Plan Act - Overview

- How is the \$350 billion funding for states and local governments allocated?
 - State portion = \$195 billion, of which, \$1.25 billion is equally divided between the states and the District of Columbia. The remainder is allocated based on a formula that takes into account each state's share of unemployed individuals.
 - Local portion = \$130 billion
 - Equally divided between cities and counties
 - Cities: \$45 billion allocated to metro cities (populations greater than 50K) with remainder allocated to smaller jurisdictions/non-entitlement units of local governments (NEUs).
 - The amount allocated to NEUs cannot exceed 75% of their most recent budget.
 - Counties: The \$65 billion is allocated on a modified CDBG formula that takes into account population size.

American Rescue Plan Act - Overview

- Other agencies that oversee funding that may impact states and local governments:
 - HUD – Funds allocated for emergency rental assistance and direct homeowners assistance
 - DOE – Funds allocated to the previously created Education Stabilization Fund
 - DOT – \$30.5 billion for Section 5307, 5310, 5311 programs (Urban, Enhanced Mobility of Seniors and Individuals with Disabilities, Rural Area, Tribal Nation, Bus Operator Programs) and \$8 billion for airports
 - FEMA – \$50 billion for Disaster Relief funds, PPE and \$3 billion in economic adjustments
 - HHS - \$5 billion in low-income home energy assistance program, drinking water, and wastewater expenses

American Rescue Plan Act – State and Local Fiscal Recovery Fund Overview

- When will my state or local government receive funding?
 - Payments will be made in two tranches: 60 days after the bill was enacted, and one year later.
- My local government is eligible for funds directly from the U.S. Treasury. How do I get my funding?
 - Apply at <https://api.id.me/en/session/new>
- My local government is an NEU. How do I get my funding?
 - Funding for NEUs flows from states
 - States certify that funds distributed are less than 75% of the NEU's most recent budget.
 - If an NEU declines funding, the state redistributes to the next NEU.

Polling Question #1

How much do you expect your organization to receive from ARPA funding under its various provisions?

- A. Less than \$500,000
- B. Between \$500,000 - \$1,000,000
- C. Between \$1,000,000 - \$10,000,000
- D. More than \$10,000,000





Eligible Uses of State and Local Fiscal Recovery Funds

Eligible uses of ARPA funds for States and Local Governments

- Eligible uses of funds fall into four categories and the use of funds is generally prospective in nature from March 3, 2021, forward. (One exception, covered later, is premium pay for essential workers)
 - Responding to Public Health Emergency and its negative economic impacts.
 - Premium pay for employees that provide essential work during the pandemic.
 - Pay for government services to the extent of reduced revenues due to COVID-19.
 - Specific uses for water, sewer, and broadband infrastructure.

Use #1 – Responding to Public Health Emergency and Its Negative Economic Impacts

- Allowable costs for use of funds under this category may include:
 - COVID Testing or contact tracing
 - Funds for Public Health Staff
 - Hiring/Re-hiring employees back to pre-COVID level
 - Small business/nonprofit assistance (see City of Winter Park for example program under this category)
 - Funding for unemployment insurance funds for systems updating
 - Mortgage and rent assistance for targeted households
 - Survivor's benefits
 - Public health/economic relief efficacy program
 - Also: providing aid to so-called Qualified Census Tracts (disproportionately impacted populations) for access to health and social services, housing insecurity, education, childhood health or welfare

Use #2 – Premium Pay for Essential Workers during the Pandemic

- The ARPA provides funding to pay essential workers (defined below) “premium pay” for essential work provided during the pandemic.
 - This premium pay is a part of ARPA that can be applied **retroactively**. Other areas of ARPA **MUST** be applied prospectively from March 3, 2021 forward.
- Who are the eligible “essential” workers?
 - Nursing home, hospital, and homecare staff
 - Farm, food production, grocery stores, and restaurant staff
 - Janitors and sanitation staff
 - Truck drivers, transit, and warehouse staff
 - Public health and safety staff
 - Childcare and social services staff

Use #2 – Premium Pay for Essential Workers during the Pandemic

- Important: If premium pay is a use category by the State or Local Government, it must be designated as a use by the “lead executive” of the entity.
- Maximum subsidy per employee is \$13/hour up to \$25,000.
- Entities **must** prioritize low-income eligible worker
- Payment can be direct OR to private employers through grants.
 - For example, an entity could pay a restaurant or child care center for premium pay for essential work during the pandemic.
- Entities must document in writing the reasoning if premium pay rises more than 150% over the state’s average annual wage for all occupations.

Use #3 – Revenue Loss (Replacement)

- This is arguably the most talked about part of all four categories! Is it “free” money?



Use #3 – Revenue Loss (Replacement)

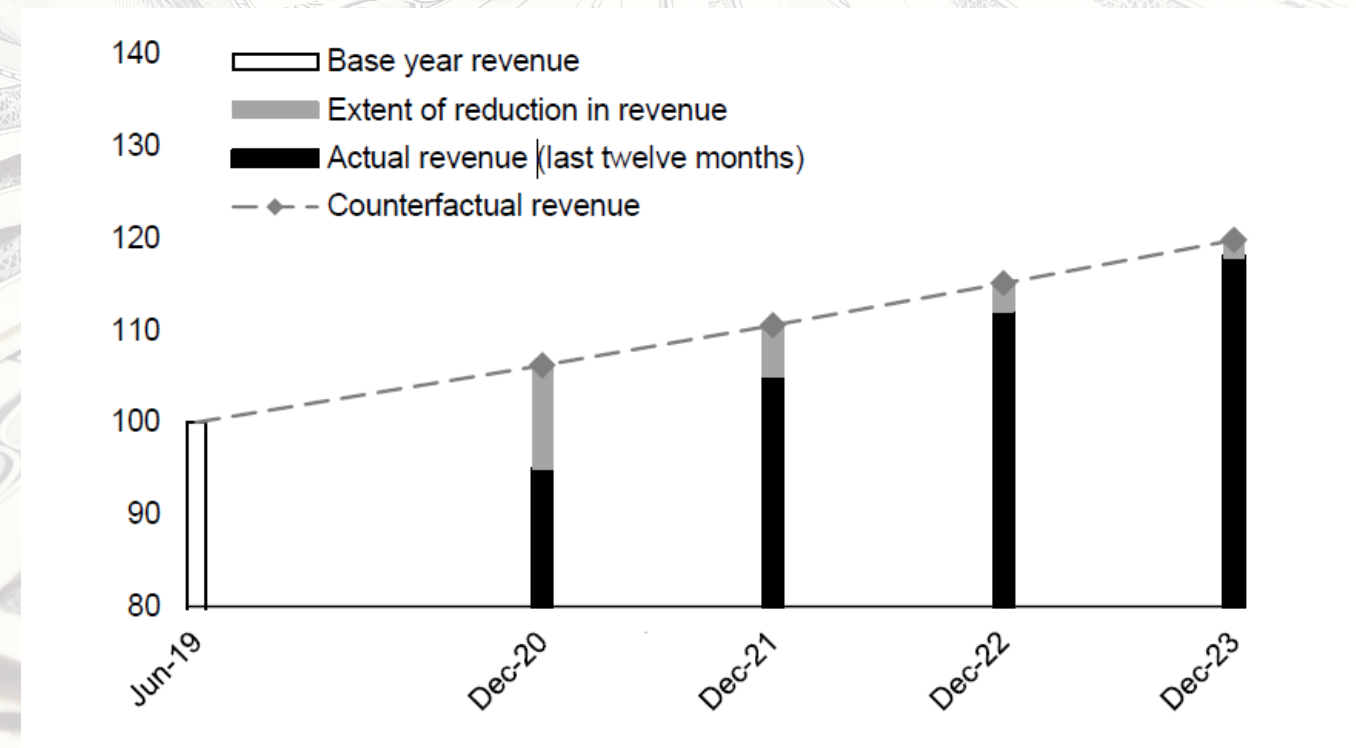
- For many entities, it will be hard to arrive at showing revenue loss.
- What is included in the “revenue” definition?
 - Start with Government-Wide Revenues (including component units)
 - Exclude (or back out) revenues from:
 - Federal Transfers (direct or pass throughs) – IFR Page 50 (NOTE: This is ALL funds from the Federal Government, which includes grants)
 - Intergovernmental transfers (except those between State and Local governments)
 - Utilities and Mass Transit revenues
 - Refunds and corrections of errors
 - Proceeds from debt
 - Liquor store revenues

Use #3 – Revenue Loss (Replacement)

- What other financial data do I need?
 - Annual revenues as of each December 31st in the allowable categories previously described from 2016 to 2019. (NOTE: This could be challenging if the state or local government's year end does not line up with December 31st)
 - Annual revenues for most recent **fiscal** year before the COVID-19 pandemic. This is the **base year revenue**.
- How to perform revenue loss calculation:
 - Take the annual revenues above and calculate the percent growth from year to year.
 - Compare this percentage to 4.1%, which is the default percentage used in the Interim Final Rule. Use the greater of the two percentages. This is your **growth adjustment percentage**.

Use #3 – Revenue Loss (Replacement)

- How to perform the revenue loss calculation (cont.):
 - Take **base year revenue** and determine your **counterfactual revenue**:
 - **Counterfactual Revenue** = **Base Year Revenue** x $[(1 + \text{growth adjustment percentage})^{(n/12)}]$
 - **n** = # of months elapsed since the end of the base year
 - Identify **actual revenue**. This is revenue collected over the past twelve months as of the calculation date.
 - **Counterfactual Revenue – Actual Revenue = Revenue Loss**, for that calculation date.



Use #3 – Revenue Loss (Replacement) - Example

- Example calculation of Revenue Loss (Replacement) – See IFR P. 59)
 - Base year revenue = 100
 - Growth Adjustment Percentage = 4.1% (Default Percentage)
 - Recipients Year End is 6/30 for this example
 - n = Months elapsed since 6/30/2019 (year end of most recent year BEFORE pandemic)
 - Counterfactual Revenue Calculation:

As of:	12/31/2020	12/31/2021	12/31/2022	12/31/2023
N (months elapsed)	18	30	42	54
Counterfactual revenue	106.2	110.6	115.1	119.8

Use #3 – Revenue Loss – Fun Facts

- Funds cannot be used for:
 - Direct pension contributions
 - Exception: if employee grant eligible, employer's share of ongoing, normal contributions OK
 - Tax reductions
 - Debt service
 - “Rainy Day” / Stabilization funds
- Funds can be used for:
 - Government services including directly providing aid to Citizens
 - Pay as you go capital projects / maintenance
 - Cybersecurity, health, K-12, Police, Fire, Public Safety

Use #4 – Water, Sewer, Broadband Infrastructure

- Entities can also use the funding to build out certain water, sewer, and broadband infrastructure.
- In general, if it is an eligible use under the Clean Water/Drinking Water State Revolving Fund programs (CFDAs 66.458 & 66.468) then it is eligible under ARPA.
 - Note: Others may be named in future FAQs.
- Broadband – another eligible use area, with the goal to enhance service to 100 MBS download/upload unless impracticable due to terrain, geography, cost. Can also be used to support internet access and literacy.
 - Can be used for eligible costs from March 2020 to June 30, 2021. Second window is from July 1, 2021 to June 30, 2022.

Use #4 – Clean Water and Drinking Water uses

- **Drinking Water Eligible Projects**
 - Treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development
- **Clean Water Eligible Projects**
 - Construction of publicly-owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act

Use #4 – Water, Sewer, Broadband Infrastructure FAQ

6.2. May construction on eligible water, sewer, or broadband infrastructure projects continue past December 31, 2024, assuming funds have been obligated prior to that date?

YES. Treasury is interpreting the requirement that costs be incurred by December 31, 2024 to only require that recipients have obligated the funds by such date. The period of performance will run until December 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with Fiscal Recovery Funds.

Use #4 – Water, Sewer, Broadband Infrastructure FAQ

6.12 May recipients use Funds for pre-project development for eligible water, sewer, and broadband projects?

YES. For DWSRF planning and evaluations uses, as well as numerous pre-project development costs, including costs associated with obtaining project authorization, planning and design, and project start-up like training and warranty for equipment. Likewise, for CWSRF the for broad pre-project development, including planning and assessment activities, such as cost and effectiveness analyses, water/energy audits and conservation plans, and capital improvement plans

Similarly, pre-project development uses and costs for broadband projects should be tied to an eligible broadband project or reasonably expected to lead to such a project. For example, pre-project costs associated with planning and engineering for an eligible broadband infrastructure build-out is considered an eligible use of funds, as well as technical assistance and evaluations that would reasonably be expected to lead to commencement of an eligible project (e.g., broadband mapping for the purposes of finding an eligible area for investment)

Polling Question #2

What is the main eligible use category for which your state or local government is looking at using the ARPA funds?

- A. Public health emergency response (and economic impacts)
- B. Premium pay for essential workers
- C. Revenue loss (replacement)
- D. Water, sewer, and broadband infrastructure

Reporting Requirements for ARPA Funds



Reporting Requirements for ARPA Funds

Report Type	Due Date	Who Submits
Interim Report - Recipient's expenditures by category at summary level from date of award to July 31, 2021. Additionally, states and territories to provide info on distribution to NEUs	Aug. 31, 2021	States, territories, metro cities, counties, tribal governments
Quarterly Report – Financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds. First quarterly report will cover the two quarters from date of award to Sept. 30, 2021; subsequent reports will only cover one calendar quarter	First quarterly report due Oct. 31, 2021 Subsequent quarterly reports due within 30 days after calendar quarter end	States, territories, metro cities, counties, tribal governments
Annual Project and Expenditure Reports - First annual report will cover activity from the date of award to Sept. 30, 2021	First annual report due Oct. 31, 2021 Subsequent reports due Oct. 31 each year	NEUs
Annual Recovery Plan Performance Report – First report will cover period from the date of award to July 31, 2021, subsequent reports will cover 12-month period with the second report covering from July 1, 2021 – June 30, 2022.	First performance report due Aug. 31, 2021. Subsequent reports due within 30 days after the end of 12-month period (i.e., by July 31, 2022)	States, territories, metro cities, and counties with population over 250,000

Reporting Requirements for ARPA Funds

- Yes ARPA is Subject to Federal Single Audit - CFDA 21.027
- Uniform Guidance Requirements
 - Allowable Activities and Allowable/Cost Principles – Yes
 - Cash Management – No (Interest earned on funds do not need to be remitted to Treasury)
 - Eligibility – Yes
 - Equipment and Real Property Management - Yes
 - Matching, Level of Effort, Earmarking - No
 - Period of Performance – Yes
 - Procurement, Suspension & Debarment - Yes
 - Program Income – Yes
 - Reporting – Yes
 - Subrecipient Monitoring – Yes
 - Special Test and Provisions – Yes, but not available yet

A background image showing two men in business attire. The man in the foreground is a Black man with a beard, wearing a blue and white striped shirt, looking down at a laptop. The man in the background is a white man with glasses, also in a blue shirt, looking at the same laptop. The scene is brightly lit, suggesting an office environment.

GFOA Guiding Principles and Considerations

GFOA Guiding Principles and Considerations

- Keep in mind these funds are temporary in nature.
- Using ARPA funds to cover operating deficits caused by COVID-19 should be done with caution. Additional budget restraint may be necessary to maintain sound financial condition in future budgets.
- Use funds on infrastructure!!
 - Infrastructure is a nonrecurring expenditure, so this is a well-suited use of these funds. You can target them to a long-term asset that provides benefits for many years to come.

GFOA Guiding Principles and Considerations

- What is your state doing with the ARPA funds?
 - Be aware of what your state is doing with ARPA funds as they could be used to enhance infrastructure or enhance other state funded resources. This could affect a local jurisdiction.
- Should I consider partnering with other ARPA recipients (for example, a city/county partnership)?
 - It may be beneficial for the local area to create a cooperative spending plan to enhance the financial condition of the local community.
- Should I used ARPA funds first or other grants/programs?
 - The GFOA recommendation is to always use other funds first before using ARPA funds and to target the ARPA funds for uses not allowed for other federal or state assistance programs.

GFOA Guiding Principles and Considerations

- When should my entity spend the ARPA funds?
 - GFOA recommendation is to spread out the expenditures over the covered period (through 12/31/2024) to enhance budgetary and financial stability.
- What should my entity do before committing to using ARPA resources?
 - Carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

ARPA Resources

- U.S. Treasury Website for information on Coronavirus State and Local Fiscal Recovery Funds
 - <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>
- U.S. Treasury Interim Final Rule
 - <https://public-inspection.federalregister.gov/2021-10283.pdf>
- U.S. Treasury FAQs
 - <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>
- U.S. Treasury Fact Sheet
 - <https://home.treasury.gov/system/files/136/SLFRP-Fact-Sheet-FINAL1-508A.pdf>
- GFOA Guiding Principles
 - <https://www.gfoa.org/american-rescue-plan-spending-guiding-principles>
- GFOA Analysis of Guidance
 - <https://www.gfoa.org/cslfrf-guidance-faq>
- GFOA American Rescue Plan Analysis
 - <https://www.gfoa.org/flc-analysis-of-current-proposed-covid-19-relief-measures>

Polling Question #3

What is your level of interest in a similar CPE series in future years?

- A. Very high – This was easy and convenient!
- B. Moderate – I'd attend some sessions.
- C. Minimal – I usually get CPE via in-person conferences.
- D. Other (please share with us via a question!).

Q&A

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CPE Request/Evaluation Link:

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