Carl Vinson Institute of Government
UNIVERSITY OF GEORGIA

CARES Act – Coronavirus Relief Fund (CRF)
Additional Guidance
June 30 Year End Governments
8/18/20

Introduction

June 30 year end governments have additional accounting complexities related to the CARES funding since the eligibility period for expenditures is March 1 through September 1 for Phase I Georgia funding, and therefore, crosses fiscal years. Due to these grant terms, it is possible that these governments will have some expenditures that were incurred before June 30 and some that occurred after June 30 that are eligible for reimbursement.

Basis of Accounting

In order for a transaction to be recognized as revenue under the modified accrual basis of accounting, it must be measurable, earned and available. The definitions are as follows

- Measurable, an amount can be determined accurately
- Earned, from a grant perspective, incurred eligible expenditures during the grant time period
- Available, received or will be received soon enough after the fiscal period to pay obligations of the period. In the case of grant funds, you have access to the funds upon identification of eligible expenditures occurring within the grant period.

The availability revenue recognition criteria is especially important related to CARES funding for those governments with a June 30 year end that choose to submit eligible expenditures incurred prior to June 30. Establishing a receivable at June 30 will require funds to be considered available to the local government.

The availability criterion is met based on the following and has been confirmed by Alan Skelton, the State Accounting Officer -

- Congress passed the CARES Act on March 27
- Governor's letter announcing the funding was dated June 29
- The grant portal was opened on July 24. This made a 30% advance immediately available to local governments upon acceptance of terms and conditions. Also, the additional 70% of Phase I funds were accessible upon identification of eligible expenditures and providing adequate supporting documentation through the grant portal (within approximately 60 days of year end). Therefore it is feasible that a local government could potentially record a receivable for all Phase 1 funds as of June 30 if such allowable costs were incurred as of June 30.

For purposes of preparing external audited financial statements, local governments identifying eligible expenditures incurred prior to June 30 will be able to record an Intergovernmental Receivable and associated revenue at June 30. The entries that follow should be posted if a special revenue, fund 220 is used.

Local governments that prefer to account for the grant in the General Fund can also record the receivable. The eligible expenditures should be separately identified in the General Fund using a project code or additional object classes.

Entries related to the advance funding

Posting Date – June 30, 2020

<u>Entry 1 – Reclassification of expenditures</u>

Reclassify eligible expenditures from Fund 100 to Fund 220 for the amount of the advance. Assume advance equals $30,000 and eligible expenditures were for public safety salaries. (*Remember, the actual account numbers you will use depends on the original payroll posting. This example is simplified to include only one payroll account number.*)

Account	Title	Debit	Credit
100.0000.11.3200	Interfund Receivable – Grant Fund	$30,000	

100.3280.51.1100	Personal Services – Regular Employees		$30,000

Account	Title	Debit	Credit
220.3280.51.1100	Personal Services – Regular Employees	$30,000	
220.000.12.2100	Interfund Payable – General Fund		$30,000

Posting Date – June 30, 2020

<u>Entry 2 – Post receivable for grant funds</u>

Record a receivable for the amount of eligible expenditures not to exceed the 30% of the advance received. This entry should be for the same amount as the expenditures that were reclassified in Entry 1. This can be posted as a revenue since the revenue recognition criteria have been met

- measurable, amount of advance was communicated from the Governor's office
- earned, eligible expenditures were identified and reclassified through June 30
- available, advance was received within the availability period

Account	Title	Debit	Credit
220.0000.11.2700	Intergovernmental Receivable	$30,000	
220.0000.33.1150	Indirect Grant Revenue		$30,000

Note – use of revenue account 33.1150 assumes the local government received funding from the State of Georgia rather than the federal government.

Entries to record receipt of cash (ACH Transfer) from the State of Georgia

Posting Date – Use the date the ACH Credit was posted to your bank account. For example if you received payment from the State of Georgia on August 4, 2020, then the posting date is August 4, 2020.

Entry 3 – Post Cash Receipt

The fund in which you record the receipt of cash for the receivable established at June 30, 2020 depends upon the ACH information you provided for the account where the funds were to be deposited. If you used a physical bank account in the General Fund, then the entries would be as follows:

Account	Title	Debit	Credit
100.0000.11.1110	Cash in Bank – General Fund	$30,000	
100.0000.11.3200	Interfund Receivable – Grant Fund		$30,000
220.0000.12.2100	Interfund Payable – General Fund	$30,000	
220.0000.11.2700	Intergovernmental Receivable		$30,000

However, if you established a new physical bank account in the Special Revenue Fund (Fund 220), then the entries to record the receipt of the cash (ACH credit) and subsequent payment to the General Fund would be as follows:

Account	Title	Debit	Credit
220.0000.11.1110	Cash in Bank – Special Revenue Fund	$30,000	
220.0000.11.2700	Intergovernmental Receivable		$30,000
220.0000.12.2100	Interfund Payable – General Fund	$30,000	
220.0000.11.1110	Cash in Bank – Special Revenue Fund		$30,000

100.0000.11.1110	Cash in Bank – General Fund	$30,000	
100.0000.11.3200	Interfund Receivable – Grant Fund		$30,000

Guidance for Reimbursable Expenditures in Excess of the 30% Advance

If you identify other eligible expenditures that occurred prior to June 30 beyond the advance amount for which you will claim reimbursement, you will reclassify those expenditures as shown in Entry 1 above. Remember, you were allocated a certain amount of CARES funding in Phase I, so total expenditures reclassified cannot exceed this amount.

Example – Total Phase I funds allocated to your government is $75,000. You identify $10,000 in additional eligible expenditures (beyond the original advance of $30,000) occurring before June 30 for reimbursement. You may reclassify the additional expenditures as shown in Entry 1. You can also record a receivable and associated revenue as shown in Entry 2 for $10,000.

Guidance for Eligible Expenditures Incurred July 1 through September 1

Eligible expenditures incurred after July 1 would be accounted for using guidance provided during the Georgia Government Finance Officers Association CARES Funding webinar held August 12, 2020. Navigate to this page, https://cviog.uga.edu/publications/public-resources.html, Videos and Tutorials, CARES Funding Accounting. Expenditures would be reclassified to the grant fund. Intergovernmental receivable and indirect grant revenue would be posted for the amount of eligible incurred expenditures. Remember you cannot exceed your Phase I allocation.

Additional Guidance

If you have already posted CARES transactions in fiscal year 2021 related to the period ended June 30, 2020, you must adjust these 2021 entries based on the guidance given in this document.