



Professional Standards Committee Highlights

REPORTING GUIDANCE & REVENUE RECOGNITION CONSIDERATIONS FOR AMERICAN RESCUE PLAN ACT (ARPA) FUNDS



On June 17, 2021, the U.S. Department of the Treasury (Treasury) released Compliance and Reporting Guidance (“Reporting Guidance”) on Coronavirus State and Local Fiscal Recovery Funds authorized under the American Rescue Plan Act of 2021 (ARPA), which can be found [here](#). The Reporting Guidance builds on the Interim Final Rule issued on May 10, 2021 and provides additional information on compliance and reporting responsibilities. Recipients (except for non-entitlement units) are required to submit an interim report on expenditures incurred through June 30, 2021, which must be reported in the State and Local Fiscal Recovery Funds portal by August 31, 2021. By October 31, 2021 both entitlement and non-entitlement units are required to submit project and expenditure reports, which addresses the period from the award date through September 30, 2021. Thereafter, all recipients are required to submit project and expenditure reports on either an annual or quarterly reporting basis as set forth in the Reporting Guidelines. The Treasury has

also provided guidance on “Frequently Asked Questions”, which is updated periodically and can be found [here](#).

For some agencies, ARPA funding has already been received. With the close proximity to many fiscal year ends, the timing of the funding brings up some important revenue recognition issues. In 2020, GASB released a Technical Bulletin to address certain revenue recognition requirements of the CARES Act. The revenue recognition issues addressed in the Technical Bulletin are also helpful in evaluating ARPA funding. ARPA funding is a voluntary nonexchange transaction, subject to eligibility requirements. ARPA funding guidelines include certain conditions that are required to be met, such as the incurrence of eligible expenditures. Those conditions are eligibility requirements for purposes of financial reporting. While ARPA may be used to replace lost revenues, the manner in which the lost revenue resources can or can't be spent is also considered an eligibility requirement. Thus, revenue should be recognized when all eligibility requirements have been met. For ARPA, those eligibility requirements include time requirements (when resources should be used) and allowable cost requirements (what resources can be used for). Funds that follow the modified accrual basis of accounting should record revenue when all applicable eligibility requirements are met and the resources are available. Generally, ARPA funds received prior to June 30, 2021 will be recorded as *Unearned Revenue*, except for amounts that have been expended consistent with the restrictions set forth by the Treasury. It is recommended that agencies consult with their auditors since there is considerable professional judgment involved in the application of the revenue recognition criteria.

You can also find Committee Highlights on other topics at <https://www.csmfo.org/professional-standards-committee-highlights/>.

If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at standards.chair@csmfo.org.

The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices.
