


**ACCOUNTING UPDATES FOR  
LOCAL GOVERNMENTS**

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**Jessica Cox, CPA, CGFM**

CCFO/CMFO CPE 2024



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**AGENDA**

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- ❖ ARPA- SLFRF
- ❖ ARPA-LATCF
- ❖ Hotel/Motel Tax
- ❖ Financial Data Transparency Act
- ❖ Opioid Settlements
- ❖ Cooperative Purchasing



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**ARPA-SLFRF UPDATE**

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**2022 Final Rule Eligible Uses**

- ❖ Support the COVID-19 public health and economic response
- ❖ Provide premium pay for eligible workers performing essential work
- ❖ Invest in water, sewer and broadband infrastructure
- ❖ Replace lost public sector revenue



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**ARPA-SLFRF UPDATE**

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**2023 Interim Final Rule Eligible Uses**

- ❖ Provide emergency relief from natural disasters or the negative economic effects of natural disasters
- ❖ Invest in surface transportation infrastructure in line with certain U.S. Department of Transportation programs
- ❖ Invest in community development in line with HUD's Community Development Block Grant program (Title I projects)



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**ARPA-SLFRF UPDATE**

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**2023 Interim Final Rule Eligible Uses**

- ❖ **Surface Transportation and Title I Projects**
  - ❖ Limitation on SLFRF contribution towards these types of projects
    - ❖ The total amount of SLFRF that a recipient may use for Surface Transportation and Title I projects, taken together, cannot exceed the greater of \$10 million or 30% of a recipient's SLFRF allocation.
  - ❖ Restriction on supplanting funds
    - ❖ Recipients using SLFRF for Surface Transportation and Title I projects must supplement, and not supplant, other federal, state, territorial, Tribal, and local government funds otherwise available for such uses.
  - ❖ Applicability of certain existing laws
  - ❖ Expenditure deadline September 30, 2026



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**ARPA-SLFRF UPDATE**

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**Obligation Interim Final Rule (IFR)**

- ❖ Issued to address recipients' questions and comments regarding the definition of obligation
- ❖ Did not alter the obligation deadline - 12/31/24 or the expenditure deadline - 12/31/26
- ❖ Definition of obligation and expenditure are not the same



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## ARPA-SLFRF UPDATE

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### Definition of Obligation

- An order placed for property and services and entry into contracts, subawards, and similar transactions that require payment
- A requirement under federal law or regulation or provision of the SLFRF award terms and conditions to which the recipient becomes subject as a result of receiving or expending SLFRF.



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### An obligation is NOT:

- An adopted budget or budget amendment
- An appropriation of SLFRF funds
- An executive order
- A resolution
- A written or oral intention to enter into a contract
- A grant of legal authority to enter into a contract
- Claiming funds under the revenue loss category
- Moving SLFRF funds to a general fund as revenue loss but not further establishing an obligation with those funds by 12/31/24

U.S. Department of the Treasury, Coronavirus State & Local Fiscal Recovery Funds

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### Aren't revenue loss funds automatically obligated?

- **NO.** See **FAQ 17.15.**
- All SLFRF funds under any eligible use category are subject to the obligation requirements – including funds used under the revenue loss category.
- This means that, when a recipient uses funds to provide government services, those funds must be obligated via one of the pathways discussed on slide 7.
- If a recipient is utilizing revenue loss to pay for government services, the recipient must report the use as project(s) under expenditure category 6.1.
- Recipients must enter a project description for any project entered under 6.1. Revenue loss project descriptions must summarize the project in sufficient detail to provide an understanding of the major activities that will occur. Descriptions should establish what the project seeks to accomplish and should include enough information to make clear how the recipient determined the project's eligibility.

U.S. Department of the Treasury, Coronavirus State & Local Fiscal Recovery Funds

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## ARPA-SLFRF UPDATE

### Obligation Interim Final Rule

- ⊕ Subrecipients are **not** subject to the 12/31/24 obligation deadline, but they are still required to expend funds by 12/31/26
- ⊕ Addresses flexibilities that exist for contracts after the obligation deadline has passed
  - ⊕ Change orders for existing contracts
  - ⊕ Amending existing contracts
  - ⊕ Replacing an existing contract



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### Summary of Contract Flexibilities 29

	Why would a recipient use this?	When can a recipient use this?	Restrictions
<b>Change order or contingency</b>	Cost increase or other reason anticipated in contract.	Contract expressly provides for the option.	Only restrictions in contract and Uniform Guidance.
<b>Amend contract</b>	Recipient wants to retain same contractor, but needs to make unanticipated changes.	Whenever the contract permits, including after the obligation deadline has passed.	Amended contract must be within substantially the same scope and for substantially the same purpose as the original contract.
<b>Replace contract</b>	Recipient wants to terminate contract and use a new contractor.	One of three circumstances in Obligation IFR (including mutual agreement to terminate for convenience).	Replacement contract must be within substantially the same scope and for substantially the same purpose as the original contract.

U.S. Department of the Treasury, Coronavirus State & Local Fiscal Recovery Funds

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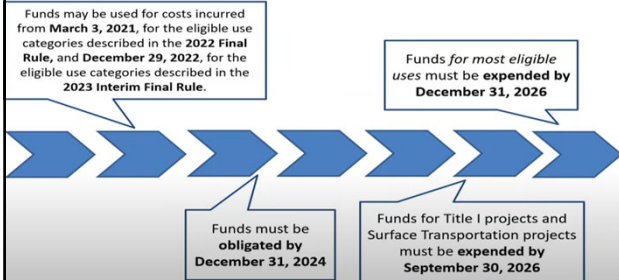
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## ARPA-SLFRF UPDATE

### Period of Performance

#### Timeline for Use of SLFRF Award Funds



Funds may be used for costs incurred from **March 3, 2021**, for the eligible use categories described in the **2022 Final Rule**, and **December 29, 2022**, for the eligible use categories described in the **2023 Interim Final Rule**.

Funds must be **obligated by December 31, 2024**

Funds for Title I projects and Surface Transportation projects must be **expended by September 30, 2026**

Funds for most eligible uses must be **expended by December 31, 2026**

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**ARPA-SLFRF UPDATE**

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**New Questions - 2024 Q1 Report**

❖ If the report reflects that 100% of the allocated funding has been expended

**Have you spent your full SLFRF award and are ready to close out the award?**

If you are ready to close out, please be aware that this is not your final report. Included in forthcoming guidance will be information on how to close out your SLFRF award, including completion of final report information.

❖ Informational purposes only – NOT final report




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**ARPA-SLFRF UPDATE**

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**New Questions - 2024 Q1 Report**

**Federal Audit Clearinghouse (FAC)**

Have you expended \$750,000 or more in federal award funds during your most recently completed fiscal year?

Have you submitted a single audit or program specific audit report to the Federal Audit Clearinghouse (FAC)?

Please explain why you did not submit an audit to the FAC.




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**ARPA-SLFRF UPDATE**

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**New Questions - 2024 Q1 Report**

**Alternative Compliance Examination Engagement (ACEE)**

For certain entities that may be new to expending more than \$750,000 in federal awards and are now subject to Single Audit Act requirements, the U.S. Department of the Treasury (Treasury), together with the Office of Management and Budget and other stakeholders, developed the Alternative Compliance Examination Engagement (ACEE).

For qualified SLFRF recipients, the ACEE is a voluntary alternative to a required full Single Audit that is less burdensome, but still upholds good stewardship by focusing on Activities Allowed and Unallowed and Allowable Cost/Cost Principles.

Would you like to submit an ACEE instead of the Single Audit?

Is the recipient's total SLFRF award below \$10 million?

Are other Federal award funds the recipient expended (not including their direct SLFRF award funds) less than \$750,000 during the recipient's fiscal year?

ACEE Criteria not met, Both responses above must be "Yes".

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**ARPA-SLFRF UPDATE**

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**Compliance & Reporting**

[Example Project and Expenditure Report](#)

-  Continue to submit and certify SLFRF Project and Expenditure Reports until closeout procedures are completed.
-  Make sure all funds are obligated by 12/31/24.



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**ARPA-SLFRF UPDATE**

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**Resources**

-  Phone Number 844-529-9527
-  Treasury portal or technical support [covidreliefitsupport@treasury.gov](mailto:covidreliefitsupport@treasury.gov)
-  General inquiries [SLFRF@treasury.gov](mailto:SLFRF@treasury.gov)



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**ARPA-SLFRF UPDATE**

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**Resources**

-  2022 SLFRF Final Rule Overview  
<https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf>
-  SLFRF FAQ  
<https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-FAQ.pdf>
-  SLFRF Compliance and Reporting Guidance  
<https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>



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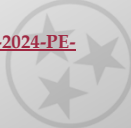
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**ARPA-SLFRF UPDATE**

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**Resources**

- ⓘ 2023 SLFRF Interim Final Rule Overview  
<https://home.treasury.gov/system/files/136/Overview-of-the-2023-Interim-Final-Rule.pdf>
- ⓘ SLFRF Obligation Interim Final Rule Quick Reference Guide  
[https://home.treasury.gov/system/files/136/Obligation Interim Final Rule Quick Reference Guide 2023.pdf](https://home.treasury.gov/system/files/136/Obligation%20Interim%20Final%20Rule%20Quick%20Reference%20Guide%202023.pdf)
- ⓘ SLFRF Project and Expenditure User Guide  
<https://home.treasury.gov/system/files/136/october-2024-PE-Report-User-Guide.pdf>



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**ARPA-SLFRF UPDATE**

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**Resources**

- ⓘ TDEC - ARP  
<https://www.tn.gov/environment/arp.html>

Direct questions about the water, wastewater, and stormwater elements of Tennessee’s ARP funds  
[tdec.arp@tn.gov](mailto:tdec.arp@tn.gov)



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**ARPA-SLFRF UPDATE**

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**Resources**

- ⓘ ECD: TEBF - ARP  
<https://www.tn.gov/ecd/rural-development/tennessee-broadband-grant-initiative/tennessee-emergency-broadband-fund.html>

Direct questions about the broadband elements of Tennessee’s ARP funds  
[ecd.broadband@tn.gov](mailto:ecd.broadband@tn.gov)



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**LATCF UPDATE**

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**Local Assistance and Tribal Consistency Fund**

- ⊕ Received in 52 TN counties - \$10,976,943
- ⊕ Can be used for any governmental purpose, except lobbying
- ⊕ Annual Obligation and Expenditure Report until entire award is expended and submitted on report
- ⊕ Reporting period – calendar year
  - ⊕ 1/1/24 – 12/31/24 deadline 3/31/25
- ⊕ Expenditures beginning 3/15/21 – no deadline
- ⊕ Report by category (4 category options)
- ⊕ Will be a close-out option on the 2024 report



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**LATCF UPDATE**

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**Local Assistance and Tribal Consistency Fund**

- ⊕ Website  
<https://home.treasury.gov/policy-issues/covid19-economic-relief/assistance-for-state-local-and-tribal-governments/local-assistance-and-tribal-consistency-fund>
- ⊕ Reporting guidance  
[https://home.treasury.gov/system/files/136/Local-Assistance-Tribal-Consistency-Fund-Reporting-Guidance\\_202302.pdf](https://home.treasury.gov/system/files/136/Local-Assistance-Tribal-Consistency-Fund-Reporting-Guidance_202302.pdf)



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**QUESTIONS**

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**ARPA-SLFRF or LATCF**





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**HOTEL/MOTEL TAX**

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*TCA, 67-4-1401 thru 67-4-1415*

- ⊕ A tax on the privilege of occupancy of hotel rooms
- ⊕ Prior to 7/1/21, local governments levied the hotel/motel tax by private act (except counties with a metropolitan form of government)



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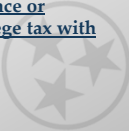
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**HOTEL/MOTEL TAX**

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*TCA, 67-4-1401 thru 67-4-1415*

- ⊕ Public Chapter 496
  - ⊕ Effective 7/1/21 allows local governments to levy, modify or repeal a privilege tax by resolution rather than by private act
  - ⊕ Restrictions:
    - ⊕ Tax not to exceed 4%
    - ⊕ Tax must be used for tourism purposes
  - ⊕ Did not void or modify a private act, ordinance or resolution authorizing the levy of the privilege tax with an effective date prior to 7/1/21



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**HOTEL/MOTEL TAX**

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*TCA, 67-4-1401 thru 67-4-1415*

- ⊕ Public Chapter 496
  - ⊕ Definitions
    - ⊕ Municipality – an incorporated city or town or a county, but does not include a county with a metropolitan form of government
    - ⊕ Tourism – attracting nonresidents to visit a particular municipality and encouraging those nonresidents to spend money in the municipality
    - ⊕ Tourism development – the acquisition and construction of, and financing and retirement of debt for, facilities related to tourism



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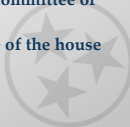
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## HOTEL/MOTEL TAX

### Added Sections to TCA, 67-4-1403

- ⊕ Public Chapter 1016
  - ⊕ Effective 5/28/24 amended TCA, 67-4-1403
  - ⊕ Requires all entities that receive hotel/motel tax to submit an annual report to:
    - ⊕ The Comptroller of the Treasury
    - ⊕ The Commissioner of the Department of Tourist Development
    - ⊕ The chair of the state and local government committee of the senate
    - ⊕ The chair of the local government committee of the house of representatives



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## HOTEL/MOTEL TAX

### Added Sections to TCA, 67-4-1403

- ⊕ Public Chapter 1016
  - ⊕ Not less than 30 days after year-end
  - ⊕ Must detail the amount of revenue spent and how those expenditures have been designated and used for tourism and tourism development
  - ⊕ If audit finds that funds were not spent for promotion of tourism and tourism development, then they have to use that amount from general funds for tourism purposes within the immediately following fiscal year



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## HOTEL/MOTEL TAX

### Letter from Comptroller

- ⊕ Emailed to all city and county mayors and finance personnel July 24, 2024
  - ⊕ Discussed new reporting requirements
  - ⊕ Provided standardized form
- ⊕ <https://www.comptroller.tn.gov/office-functions/la/resources/information.html>



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## HOTEL/MOTEL TAX

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**To-Do for Local Governments**

- ❖ Submit report to the required individuals
  - ❖ TN Comptroller of the Treasury – [lga.web@cot.tn.gov](mailto:lga.web@cot.tn.gov)
  - ❖ Commissioner Of Tourist Development – Mark Ezell - [mark.ezell@tn.gov](mailto:mark.ezell@tn.gov)
  - ❖ Chair of the State & Local Government Committee of the Senate – Sen. Richard Briggs – [sen.richard.briggs@capitol.tn.gov](mailto:sen.richard.briggs@capitol.tn.gov)
  - ❖ Chair of the Local Government Committee of the House of Representatives – Rep. John Crawford – [rep.john.crawford@capitol.tn.gov](mailto:rep.john.crawford@capitol.tn.gov)
- ❖ Private Act/Resolution – provide to auditors



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## QUESTIONS

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**Hotel/Motel Tax**

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## FINANCIAL DATA TRANSPARENCY ACT

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**FDTA Refresher**

- ❖ Enacted in December 2022 as part of the National Defense Authorization Act for FY 2023
- ❖ Mandates the establishment of standardized data formats for financial information submitted to and managed by several U.S. financial regulators
- ❖ Mandates that several U.S. financial regulators develop and implement uniform data standards
- ❖ These regulators have until the end of 2024 to propose and finalize the data standards
- ❖ Individual entities must comply with these standards by 2026



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**FINANCIAL DATA  
TRANSPARENCY ACT**

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**Federal Register – 8/22/24**

- ⊕ **Legal Entity Identifier (LEI)**
  - ⊕ Globally recognized identifier for entities in financial transactions
  - ⊕ Ensures uniformity in identifying entities across different regulatory agencies
- ⊕ **Other common identifiers**
  - ⊕ Such as ISO standards for swaps and securities
    - ⊕ Enhance the consistency and clarity of financial data



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**FINANCIAL DATA  
TRANSPARENCY ACT**

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**Federal Register – 8/22/24**

- ⊕ **Establishment of Data Standards**
  - ⊕ FDTA directs various federal agencies to jointly establish data standards for financial information reporting
    - ⊕ Ensure data is described, recorded, and transmitted in a consistent manner across agencies
    - ⊕ Data should be machine-readable, searchable and non-proprietary



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**FINANCIAL DATA  
TRANSPARENCY ACT**

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**What do these terms mean**

- ⊕ **Nonproprietary or Open Source**
  - ⊕ Something people can modify and share because its design is publicly accessible
- ⊕ **Machine Readable**
  - ⊕ Format in a standard computer language that can be read automatically by a web browser or computer system (e.g. xml, json, xbrl)



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**FINANCIAL DATA  
TRANSPARENCY ACT**

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**What does this mean for local governments**

- ❖ U.S. Securities and Exchange Commission required to issue data standards for information that municipal securities issuers provide to the Municipal Standards Rulemaking Board (MSRB)
- ❖ Issue bonds – required to provide both primary and continuing disclosure to the MSRB’s Electronic Municipal Market Access, or EMMA
  - ❖ annual financial reports



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**FINANCIAL DATA  
TRANSPARENCY ACT**

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**What we still don’t know**

- ❖ The chosen technology or taxonomy
- ❖ Where/if the SEC will choose to “scale”
- ❖ Who has to pay for it
- ❖ How it will be enforced



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**QUESTIONS**

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**Financial Data Transparency Act**




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**OPIOID SETTLEMENTS**

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**Opioid Settlement Refresher**

- ⊕ 3 Buckets
  - ⊕ State Fund – 15% (no funds go to local governments from this bucket)
  - ⊕ Subdivision Fund – 15% (directly to local governments from national settlement administrator)
    - ⊕ County Revenue Code – 48991
    - ⊕ City Revenue Code - 33492
  - ⊕ Abatement Fund – 70% (35% to counties & 65% competitive grants from OAC)



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**OPIOID SETTLEMENTS**

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**Opioid Settlement Refresher**

- ⊕ 3 Buckets (cont.)
  - ⊕ Abatement Fund (cont.) – 35% to counties
    - ⊕ County Revenue Code – 46845
    - ⊕ Must be placed in an interest-bearing account per Letter of Agreement with OAC
    - ⊕ Interest earned same restrictions as settlement funds
    - ⊕ Must be obligated within 2 years and spent within 4 years
    - ⊕ Must report obligations and expenditures twice a year
      - ⊕ September & March



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**OPIOID SETTLEMENTS**

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**New Settlement/Updated OAC Website**

- ⊕ Kroger Settlement - \$42 billion
- ⊕ OAC website updates
  - ⊕ New tab just for county governments
  - ⊕ Visual data dashboard
    - ⊕ County level-disbursements, allocations, spending
    - ⊕ Updated after each semi-annual report (September & March)
- ⊕ <https://www.tn.gov/oac.html>



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**QUESTIONS**

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**Opioid Settlements**

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**COOPERATIVE PURCHASING**

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**Legal Authority for Cooperative Purchasing**

- TN has several laws that authorize & regulate cooperative purchasing for local governments
  - TCA 12-3-1201
  - TCA 12-3-1203
  - TCA 12-3-1205
  - TCA 12-3-512
  - TCA 12-9-101
  - TCA 7-86-129



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**COOPERATIVE PURCHASING**

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**TCA 12-3-1201**

- Authorizes purchasing through statewide contracts
  - Counties can make purchases under the provisions of contracts or price agreements entered into by the TN Department of General Services Central Procurement Office
  - Without public advertising and competitive bidding
  - <https://www.tn.gov/generalservices/procurement.html>



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**COOPERATIVE PURCHASING**

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**TCA 12-3-1203**

- ⊕ Authorizes in-state “piggyback” contracts
  - ⊕ Counties , cities, utility districts, and other local governments can purchase supplies, goods, equipment, and services under the same terms as contracts entered into by any other local governmental unit of this state
  - ⊕ Excluded: new motor vehicles (except special purpose vehicles) and transportation infrastructure projects
  - ⊕ Also, authorizes LEAs to purchase equipment under the same terms of a legal bid initiated by another LEA in TN



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**COOPERATIVE PURCHASING**

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**TCA 12-3-1205**

- ⊕ Authorizes both in-state and out-of-state cooperative purchasing agreements
  - ⊕ In-state
    - ⊕ A city, county, utility district or other local government may participate in, sponsor, conduct or administer an in-state cooperative purchasing agreement for procurement of supplies, services, or construction



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**COOPERATIVE PURCHASING**

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**TCA 12-3-1205**

- ⊕ Out-of-state
  - ⊕ A city, county, utility district or other local government may participate in, sponsor, conduct or administer a cooperative purchasing agreement with other governmental agencies outside Tennessee for procurement of goods, supplies, services, and equipment
  - ⊕ Resolution accepting the terms of the master agreement must be approved by the local legislative body
  - ⊕ Acquire & maintain documentation that the purchasing entity that procured the bid complied with its own purchasing requirements



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## COOPERATIVE PURCHASING

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**TCA 12-3-1205**

- ⊕ Out-of-state (continued)
  - ⊕ CANNOT be used for purchasing the following
    - ⊕ new or unused motor vehicles (except special purpose);
    - ⊕ construction, architectural and engineering services;
    - ⊕ construction materials (except materials used in the operation of a utility system);
    - ⊕ fuel, fuel products and lubricating oils
  - ⊕ if the cooperative agreement is with an agency of the United States, the purchase of construction machinery is not allowed in addition to the items listed above



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## QUESTIONS

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**Cooperative Purchasing**



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