

INTEROFFICE MEMORANDUM

TO: ROANE COUNTY COMMISSION
FROM: RON WOODS 
SUBJECT: FUND RULES AND ACCOUNTING PROCEDURES
DATE: JANUARY 11, 2022

The Accounting System and Structure in which funds are budgeted and expended is based on a requirements of Restrictions and Commitments.

Restrictions are legal requirements of how the funds must be used. Restrictions are established by Federal and State Law or by the grantor of the funds.

Committed funds are established by the local legislative body under guidelines of policy.

The American Rescue Funds were established under the restrictions of Federal Law.

Roane County is scheduled to receive \$10.3 million which must be expended within the restrictions of the Federal Law, the U.S. Treasury's interpretation and interpretations of the Tennessee Comptroller.

The Tennessee Comptroller's interpretation is noted due to "A County Government is a political subdivision of the State and fall under State control of operations:"

Restriction of monies change once certain requirements have been met and once the requirements and restrictions are changed then the accounting structure reflects these changes.

One example of how the accounting system is established and operates is listed below:

American Rescue Plan funds have been established and have been assigned to the American Recovery Plan (ARP) subfund in the General Capital Project Fund 171. The Balance Sheet, Statement of Revenue, and Statement of Expenditures reports the activities of that fund. \$10.3

million has been established in the ARP account restricted for use in compliance with Federal law, U.S. Treasury and Tennessee Comptroller's interpretation.

One restriction release which was noted as a Lost Revenue calculation and if a municipality could identify Lost Revenue, then many restrictions of the lost revenue dollars are released. The accounting system would recognize the release of the restrictions and money would be transferred from the highly restricted ARP account to a new subfund noted as American Recovery Revenue Loss (ARR) which has different restrictions.

Funds noted as lost revenue still have restriction but with a lesser threshold.

Roane County's first year of Lost Revenue was noted as \$773,000. Funds were then transferred from the \$10.3 million to ARR:

Fund	ARP	ARR
Total ARP	10,300,000	-
Transferred	<u>(773,000)</u>	<u>773,000</u>
Totals	9,527,000	773,000

The Roane County Commission recognized that certain projects approved under guidance of the Federal Law and Interpretations may be disqualified under ARP but qualify under ARR. This could be committed to cover any projects in ARP that could be denied as ineligible by the U.S. Treasury.

On January 6, 2022, the U.S. Treasury issued their Final Rule and interpretation of the Federal Law known as the American Rescue Plan.

On January 11, 2022, the Tennessee Comptroller issued a memo on some key points of the Final Rule and one significant change in the rule was number two of the memo:

“2) One of the most impactful changes in the final rule is found in the revenue loss category. This guidance provides that any government can elect to take a “standard allowance” for revenue loss of up to \$10 million, allowing governments to select between the standard allowance or complete the full revenue loss calculation contained in the guidance. The significance of this change is that the revenue loss category can be used to fund any “government services.” This is much less restrictive than some of the other allowable categories.”

The question(s) are does any of the new ruling significantly change the restrictions and thus would direct a change in the accounting structure? OR Is the Accounting Structure still adequate but fund restrictions have changed so that more money is released from the ARP restrictions to the lesser restrictions of the ARR.

It is our opinion that since \$10 million of the \$10.3 has been placed under less restrictions and the County can easily document significantly more than \$300,000 of qualified projects that the County should close the American Recovery Revenue Loss (ARR) subfund and account for all the \$10.3 million with the ARP subfund.

The Accounting and Budget Department shall draft a resolution for the February Commission meeting to make the Budget and Expenditures corrections.

The Restricting of the ARP subfund shall be the restriction of Loss Revenue as required in the Federal Law and interpretation of the U.S. Treasury and the Tennessee Comptroller outside of the \$300,000 which must comply for tighter restrictions noted in the Federal Law.

See the attached January 11, 2022 Comptroller Mumpower Memo to County Mayors/Executives and Finance Directors.