

There are 3 main ways for local governments to spend Revenue Replacement American Rescue Plan Fiscal Recovery Fund (ARP/CSLFRF) Monies--Reimbursements, Future Salaries/Benefits, and Future Other Expenditures. Below are the 3 paths and their budgeting, compliance, and reporting requirements. Each project will follow only one path, but a local government may expend its Revenue Replacement funds on more than one project, each following a different path. [More info on Revenue Replacement in this blog post.](#)

**Reimbursements
Only**

A local government may reimburse itself for eligible expenditures dating back to March 3, 2021.

**Future Salaries/
Benefit
Expenditures**

A local government may cover employees' and officials' salaries and benefits through the end of the grant term.

**Future Other
Expenditures**

A local government may expend the funds for most other purposes for which it has state law authority.

Step 1

Adopt and Implement General Compliance Policies

Click on links for sample policies.

- [Records Retention](#)
- [Eligible Use](#)
- [Allowable Costs](#)
- [Civil Rights Compliance](#)
- [Conflict of Interest](#)

Consult [US Treasury's Compliance and Reporting Guide](#) for more info.

Step 2

Adopt or Amend General Written Internal Controls

Five key categories of internal controls

1. Control Environment
2. Risk Assessments
3. Control Activities
4. Communication / Training
5. Monitoring Activities

Step 3

Identify eligible reimbursement expenditures (including salaries & benefits)

Any expenditure authorized by state law is allowed EXCEPT:

- NO reimbursement of contract payments that would have violated federal conflict of interest provision
- NO litigation/settlement reimbursements
- NO borrowing \$ or debt service reimbursements
- NO reimbursement for expenditure covered/reimbursed with other funds specifically earmarked for that expenditure

Identify future eligible salaries & benefits and estimate costs by department per fiscal year

MAY fund any employees' and/or officials' salaries and benefits, unless specifically covered or reimbursed with other earmarked funds.

Identify eligible project(s) and estimate costs

Any expenditure authorized by state law is allowed EXCEPT:

- NO: pension fund contributions
- NO: borrowing \$ or debt service payments
- NO: financial reserves
- NO: settlement/ judgement/ consent decree
- NO: Expenditure that discourages compliance with CDC guidelines
- NO: Contract that violates conflict of interest provisions

Step 4

Review for Compliance with other Award Terms and Conditions

Local government attorney should review for general compliance with additional [Award Terms and Conditions](#)

Step 5

Complete and Document Eligible Use and Allowable Cost Review

Assigned staff member must document eligible use and allowable cost review, according to adopted policies.

[Documentation Template Here.](#)

Step 6

Adopt Grant Project Ordinance

Appropriate reimbursement expenditures by project.

Appropriate transfer of ARP revenues to annual budget ordinance for estimated amounts that will be paid the rest of this fiscal year for salaries/benefits. Repeat each fiscal year.

Appropriate ARP funds by project.

[This blog post contains sample grant project ordinance for each path.](#)

Steps 7 & 8

Journal Entry

The ARP funds are now fully obligated and expended! Do a journal entry to move reimbursement cash from special revenue fund to general fund and/or enterprise fund. NOTE: You are not restating prior year expenditures. The reimbursement occurs in the fiscal year in which the grant project ordinance appropriation is adopted by the governing board.

Amend Annual Budget Ordinance

Amend annual budget ordinance to recognize ARP revenue transfer to cover salaries/benefits for rest of fiscal year. Repeat each fiscal year.

Obligate and Expend Funds

Obligate and expend project(s) directly out of grant project ordinance (or transfer to capital project ordinance).

Step 9

Track and Report

Track and report obligations and expenditures during reporting period as EC 6.1 in the Project & Expenditure Report, with brief description of reimbursement expenditures. [Report as EC 6.2 if reimbursing match for other federal grant.]

P&E reporting period for \$0-\$10million units is yearly (April 1 - March 31), and for over \$10 million units is quarterly.

Review, Adjust, Repeat

Periodically review revenue estimates to actuals and make adjustments to ensure all funds are obligated by December 31, 2024, and expended by December 31, 2026.

Repeat each fiscal year until expend all ARP funds or grant period expires.

Review & Adjust

Periodically review revenue estimates to actuals and make adjustments to ensure all funds are obligated by December 31, 2024, and expended by December 31, 2026.

Step 10

Retain

Retain all documentation for at least 5 years after expenditure of final dollar of ARP/CSLFRF funds.

Track and Report

Track obligations and expenditures by reporting period and report as 6.1 EC in Project & Expenditure report.

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Track and Report

Track and report obligations and expenditures during reporting period as EC 6.1 in Project & Expenditure Report, with brief description of expenditures. [Report as EC 6.2 if match for other federal grant.]

P&E reporting period for \$0-\$10 million units is yearly (April 1 - March 31), and for over \$10 million units is quarterly.

Complete

Step 11

Retain

Retain payroll records and other documentation for each covered pay period. (DO NOT need individual employee effort certification forms.)

Retain

Retain all documentation for at least 5 years after expenditure of final dollar of ARP/CSLFRF funds.

Complete

Complete

For more resources, check out our [Coates Canons ARP blog posts](#).

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