

Revenue Recognition for Coronavirus Relief Funds for Local Governments in Georgia

Question

What are the revenue recognition criteria for coronavirus relief funds? Is it possible to meet them as an entity with a June 30, 2020, year end?

Conclusion

The Department of Audits does not expect to see CRF funds requested through the Georgia CARES portal recognized as revenue for engagements with a June 30, 2020, year end. Nor would we expect to see governments recognize a receivable and deferred revenue for potential award announced prior to year end.

Based on the guidance provided by the United States Treasury, GASB Statement Number 33, GASB – Implementation Guide 2019 - 1, and GASB Technical Bulletin Number 2020 - 1, all eligibility criteria must be met before revenue can be recognized.

After reviewing the terms and conditions document, self-described as a grant agreement and material representation from the local government, it has been determined that this document is in fact the grant agreement and must be signed before all eligibility criteria can be met.

Local governments gained access to the grant agreement through a state portal that became available around July 24, 2020. Until the local government enrolls and signs into the portal, the terms and conditions document, which serves as the grant agreement, could not be signed by local governments. Additionally, the Governor's letter on June 29, 2020, made the local governments aware of the available funds but required the government to submit a request for the funds before having access to them. Therefore, the earliest date that these requested CRF resources should be recognized as revenue at a local government would be July 24, 2020.

The presence of qualifying cost/expenditure does not change this determination.

It should be noted that federal expenditures should not be reported on the Schedule of Expenditures of Federal Awards (SEFA) until a grant agreement has been signed. Though expenditures, incurred and reported as part of an entity's fiscal year 2020 financial statements, may be eligible for reimbursement with CRF funds, these expenditures should not be reflected on the fiscal year 2020 SEFA because the grant agreement had not been executed on June 30, 2020. These qualifying expenditures should be shown on the subsequent year's SEFA. This will likely create a mismatch in reporting expenditure on the basic financial statements and on the SEFA.

Local governments are encouraged to consult their independent auditors for guidance.