

ULSTER COUNTY OFFICE OF THE COMPTROLLER

March S. Gallagher, Esq.
Comptroller



Alicia DeMarco, CPA
Deputy Comptroller

MEMORANDUM

Date: October 8, 2021

To: Patrick Ryan, County Executive
David Donaldson, Legislative Chairman

CC: Tracey Bartels, Legislative Vice-Chair
Kenneth Ronk, Legislative Minority Leader
Burt Gulnick, Commissioner of Finance

From: March Gallagher, Comptroller

Re: Accounting Methods for ARPA

As the Chief Audit Officer of the County, the Comptroller's Office has the responsibility to prescribe generally accepted government accounting methods for the County. See Ulster County Charter §C-57(C). This memorandum seeks to address the accounting of ARPA funds as it relates to appropriate reporting and recognition not the policy implications of the proposed uses. The Comptroller's Office applauds the work of the County Executive and the County Legislature in reaching out for public input and in creating a vision that aligns funding with important community needs.

After reviewing available accounting guidance, our recommendations are to adjust Ulster County's current accounting for these funds.

Recommendation: Ulster County should make adjusting journal entries to move the ARPA cash to a new miscellaneous special revenue fund with a corresponding liability. Those identified projects that are pure capital can be moved to capital projects after all requirements have been met.

The American Rescue Plan Act created a funding stream for Ulster County totaling \$34.5 million, paid to the County in two payments. The first tranche of this funding, \$17,245,737, was received on June 14, 2021, prior to all OSC and Treasury guidance. At that time the Department of Finance assigned the funding to A691.551 Deferred Revenue Control Account. At the end of June, the Office of [State Comptroller issued guidance for municipalities](#) on how to account for these funds,

recommending that they be recorded in A688 Other Liabilities because eligibility requirements have not yet been met, with corresponding adjusting entries made when the expenditure is made, liquidating the liability. Initial [Treasury Compliance and Reporting Guidance was issued June 24, 2021](#), and a user guide on [Treasury's Portal for Recipient Reporting](#) on August 9, 2021.

All of the revenues received should be recognized in a new, separate, identifiable special revenue fund which will create the greatest level of transparency and accountability enabling the Legislature, Executive and the people of Ulster County to see exactly what of the ARPA funds has been spent or committed at any point in time moving forward.

While we understand that receipt of these funds might create a multi-year budgeting issue for Ulster County, we strongly recommend against using Capital Projects fund for all of these monies especially where the expenditures are clearly operating in nature. Moving these funds to Capital Projects to avoid year end reconciliation does not enhance transparency and accountability. Furthermore, housing the funds in Capital Projects will require year end adjusting journal entries where funds have been used for operating expenditures.

[According to OSC](#), “[t]he purpose of a capital projects fund is to account for the financial resources to be used for the acquisition, construction or improvement of major capital assets.” Capital assets are generally those that have a useful life of more than one year. Furthermore, [GFOA advises](#) that governments review and report the actual operating impacts related to capital investments during project implementation.

Sheltering the underlying operating budget from a large expansion because of one time nature of these funds is not appropriate when the funds will be used to provide services and the provision of those services will extend into future operating budgets. The Legislature and community should be made aware of the sunset of these funds and the continuation of any operating costs so they can prepare for the end of these services or additional funding required to maintain services going forward. These items should be recorded in a miscellaneous special revenue fund which will maintain a fund balance of its own in relation to ARP revenues and when the Fund Balance dwindles the taxpayer and legislature would have a more concise view of when to anticipate legacy costs.

While the Comptroller's Office recognizes that this creates additional burdens in the 2022 budgeting process, we feel these accounting adjustments are necessary to foster greater transparency and ensure proper accounting for these funds.