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YEAR END BASICS FOR FINANCIALS

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1

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2

OVERVIEW

- Year End Financials have more entries and accounting than a typical month
  - Allowance for Doubtful for Tenant Accounting
  - Accrued Payroll
  - Accrued Accounts Payable
  - Compensated Absences
  - Fixed Assets
- REAC overview

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Tenant Allowance for Doubtful

- Each month the Tenant Accounts (TA) Receivable is balanced through the TA detail
- At year end, it should be determined if a balance is doubtful or should be written off
  - Note – cannot write off current tenants or tenants that you have not yet exercised all resources to recoup the amount owed.

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Accrued Payroll

- Any payroll amounts that were worked in the fiscal year, but paid after the year end
  - The purpose of this entry to show employee worked on an accrual basis. So, when the expense occurred not when the payroll was paid.
  - Example – December year end payroll was on January 10th, of which 5 of the 10 days paid were for December work performed. The payroll needs to be set up to show those 5 days of expenses in the year end not in January.

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5

Accounts Payable

- Accounts Payable – checks written for expenses incurred in the fiscal year
  - The purpose of this entry to show expenses on an accrual basis. So, when the expense occurred not when the expense was paid.
  - Example - June year end – checks written in July that are for June or earlier expenses

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6

Compensated Absences

- This makes up each employee's balance of what they have accrued as of the last day of the fiscal year for PTO, vacation and/or sick time.
- GASB 101 as of this year states, a liability should be recognized for leave that has not been used if all of the following are true:
  - The leave is attributed to services already rendered
  - The leave accumulates
  - The leave is more likely than not (more than 50%) to be used for time off or otherwise paid in cash or settled through noncash means.
- The leave should be evaluated by assessing relevant factors, including the following:
  - The employment policies related to compensated absences
  - Whether leave that has been earned is, or will become, eligible for use or payment in the future
  - Historical information about the use, payment, or forfeiture of compensated absences

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Compensated Absences

- What we will need from clients:

- Total accrued sick leave as of fiscal year end for each employee
- Total amount of sick leave earned in a year for each employee
- For the past 5 years, total amount of sick leave used for each employee
- Hourly rates as of fiscal year end for each employee
- If payroll is split, we need to know each employee's payroll percentages (may already have from payroll info received)
- Are there contributions to WRS or other employer match retirement program. If not WRS, will need to know the % (may already have from payroll info received)

- The spreadsheet will calculate out the amount of leave that is more likely than not to be used. These amounts will then need to be added any compensated absence liability you currently record

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FIXED ASSETS

- Additions
  - Proper coding of checks and CFP categorization
  - More detail the better for future reference – can include unit or building
  - Additions and useful life should always follow current cap policy not just what was done in the past
- Write Offs and Deletions
  - Accountants need to be aware of when items should be removed
  - At a minimum, HA's should look through the schedule at year end to see what items have been disposed of and can be removed from the schedule

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9

Fixed Assets Continued

CAPITALIZATION POLICY
- Dollar Threshold
  - Can be up to $5,000
  - Typically we see $500 to $1,000 but as low as $100
- Pros/Cons of Threshold amounts
  - Low threshold means more time and tracking of assets
  - High threshold means more items expensed (can impact scoring for Public Housing)
- Miscellaneous
  - Life should be more than one year
  - Can be very specific or more general
  - Board should approve
  - Exceptions can be written in – Appliances is a common one

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10

Fixed Assets Continued

- *Repairs* are never capitalized regardless of the cost
- Fixed Assets can be split amongst programs or projects. You should look at the overall cost, not the split amounts.
- Buying items in bulk does not necessarily make it a fixed asset. You should look at the cost of individual item purchased.
- Purchase of Fixed Assets with PH reserves for those over 250 units are limited to 20% of subsidy IF included in annual plan

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11

REAC OVERVIEW

- Real Estate Assessment Center (REAC)
- Unaudited Submission – Due Dates
  - 60 days after FYE
  - Grace period of 14 days after initial due date
  - Each additional 15 days – lose 1 point for PH
- Audited Submission
  - Due 9 months after FYE
  - NO grace period

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SUBMITTING IN REAC

- HUD uses the submitted data to monitor & interpret the financial condition of PHA's
- Each program has their own column in REAC for reporting
- The FDS (Financial Data Schedule) line guide is used for reporting, your auditor can reclass if they have any issues with the financial statements.

  https://www.hud.gov/sites/documents/FDSLINEDEFGUIDEJULY14.PDF

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13

REAC OVERVIEW

- PHA should review and agree with Entity Wide Reports before submitting
- Review Data Collection Form for any new or changing information
  - Auditor
  - Contact Information

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14

REAC OVERVIEW

- Unaudited Submission
  - After submitted, status is "PHA Submitted"
  - When REAC Reviewer is assigned, status is "In Review"
  - REAC Reviewer can
    - Approve
    - Approve and Conditionally Accept
    - Reject
  - Should check periodically to see the status

15

REAC OVERVIEW

- Audited Submission
  - After submitted, status is "IPA Review"
  - IPA Review is then for the auditor to go in and verify/approve the submission
  - When auditor submits it is in "IPA Agree" or "IPA Disagree"
    - IPA Agree-you can submit to REAC
    - IPA Disagree-auditor wants a change to be made. Once the change is made, submit back in "IPA Review"
  - Should check periodically to see the status

16

17