HAWKINS | ASH CPAs

FINANCIAL HOT TOPICS

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OVERVIEW

- Interest Income due to HUD from Public Housing and Voucher
- Uniform Guidance Changes (9/30/25)
- GASB 103 – Financial Reporting Model Improvements

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INTEREST INCOME

- PIH Notice 2024-25 Public Housing Operating Subsidy Grant Eligibility Calculations and Processing for CY 2025
  - At least once a year the PHA is required to remit interest income to the Department of Health Services Payment Management Systems in Excess of $500.
  - The $500 exemption is applied to the Entity Level – Not by AMP or Program
    - So, between PH Interest and Voucher HAP Interest you can only keep a total of $500

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INTEREST INCOME CONTINUED

- HUD released guidance on the Interest Earned on Operating Funds to comply with 2 CFR 200.305(b).
  - Interest earned on tenant security deposits are excluded.
- Can be done at FYE (your Fiscal Year End) or at CY (Calendar Year). **HA must decide which way it is going to record this and should not change unless HUD has further guidance.**
  - Our first initial thought was to do it as CY since Operating Subsidy is funded CY but many are doing it FY to do it along with their year end.
  - Some are doing this as part of their fiscal year end close out.
  - If CY – then must do it as of 12/31/25.
  - If FY – must do with 6/30/25, 9/30/25, 12/31/25, and 3/31/26

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INTEREST INCOME CONTINUED

- 2 Scenarios –
  - A PHA has combined Operating Subsidy and other grant funds and non-grant funds in the same account and cannot be distinguished, then the ENTIRE balance is considered Operating Subsidy for the purposes of calculating interest earned.
  - A PHA has maintained grant funds separately from non-grant funds over time.
    - This scenario is harder to prove since order of expenditures is to use program income first then federal grants. So, any profits accumulating over time from previous years will probably be all federal grants.
  - See example in attachment – "Prior Years Reserves Example".

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INTEREST EXAMPLE

- Hawkins Ash has created a spreadsheet to keep track of Voucher HAP versus Admin interest. Then, another spreadsheet which shows all PH Interest. Between these 2 you can only keep the $500. It is at the HA's discretion how much, if any to keep in each program.
- Example 1 – PH only Interest
- Example 2 – PH and Voucher Interest

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UNIFORM GRANT GUIDANCE CHANGES

- Threshold for Single Audit moved from $750,000 to $1,000,000.
- Procurement – Micro purchases moves from $10,000 to $15,000.
- Capitalization – Max threshold moved from $5,000 to $10,000

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GASB 103 FINANCIAL REPORTING MODEL IMPROVEMENTS

- What is changing?
  - Management Discussion and Analysis (MD&A) format
  - Unusual and Infrequent Items
  - Major Component Unit Reporting
  - Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position

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GASB 103 MD&A

- Starts with 6/30/26 Year Ends
- Old versus New
  - Old - Year by year analysis and reason for change – New is significant policy changes and economic factors
  - Old – Capital Assets additions/disposal changes – New is to include policy changes and economic factors
  - Old – Long Term Financing – any activity – New also include policy changes and economic factors including leases, Subscription Liability
  - New – Economic/demographic trends, subsequent year's budget, any expected changes in net position (equity), any action taken after the end of the reporting period.
  - New – Budgetary variations are no longer required to be in the MD&A.
  - More verbiage than numbers in the MD&A

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GASB 103 UNUSUAL AND INFREQUENT ITEMS

- What is changing?
  - New – need to have any commentary on unusual or infrequent items that occurred.
  - New – Requires you to NOT net inflows and outflows

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GASB 103 MAJOR COMPONENT REPORTING

- What is changing?
  - Old - There used to be 3 options for presenting in the audit:
    - Separate column for each major discretely presented component unit (CU) in the financial statements section.
    - Single column with combing statement following
    - Condensed financial statement in footnotes
  - New – changes:
    - Separate column for each CU in the basic financials unless readability is reduced
    - If it is reduced, then a combining statement with column for each CU are required in the basic financials
    - Condensed financials are NO longer to be presented in the footnotes or supplementary info

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GASB 103 PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

- Subsidies now need to be reported at the end of the statement of activities, not in the revenue section.
- Subsidies – include Operating Subsidy, CFP Revenue, Voucher HAP and Admin Revenue from HUD
- These are reporting in a new section called "Noncapital Subsidies". The Hard CFP Revenue is within the "Nonoperating Revenue (Expense) section.
- See examples

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Questions?

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