

FINANCIAL REPORTING UNDER THE NEW OPERATING FUND RULE

Reporting Brief 4: Central Office Cost Center (COCC) and Sale of Restricted Assets

The following brief illustrates accounting procedures for the sale of a central administrative building that was purchased with public housing program funds but that is assigned to the COCC as a “restricted” asset. This brief is based on the proposed changes to the Financial Data Schedule (FDS) under asset management.¹

Key Information

- Building: 2,500 square feet of commercial space
- Implemented Asset Management in 2007
- PHA Fiscal Year end date of June 30
- Building sold for \$220,000 on July 1, 2010
- Book (salvage) value of building: \$10,000
- GASB 34² implemented for entire reporting period with fiscal year end of June 30, 2004

Reporting the Sale

The PHA implemented GASB 34 for the reporting period with FYE of June 30, 2004, and capitalized the building on July 1, 2003, at historical cost, less retroactive depreciation, resulting in a \$10,000 net book value, which equals salvage value.

The building has the following capital asset balance on the day prior to its sale date of July 1, 2010:

162	Building	\$110,000
166	Accumulated depreciation	\$ 100,000
160	(Building), net of accumulated depreciation	\$ 10,000

¹ See proposed FDS template, posted December 28, 2007, on asset management website at: <http://www.hud.gov/offices/pih/programs/ph/am/fds.cfm>.

As indicated above, the PHA has fully depreciated the building and only its salvage value remains as the net book value of the asset.

On July 1, 2010, the PHA makes among the following key accounting entries to reflect the disposition of this fixed asset:

Debit:	
Cash-restricted:	\$ 220,000
Credit:	
Building-net of accumulated depreciation:	\$10,000
Gain on Sale of Fixed Asset:	\$210,000

The above entries are based on GASB 34 implementation, whereby the building is accounted for through historical cost, less retroactive and (post GASB34) accumulated depreciation. This results in a gain on sale of the fixed asset, recognized in accordance with Generally Accepted Accounting Principles (GAAP).

Although the PHA could, under program rules, retain the sale proceeds as restricted asset under the COCC (restricted by the approved disposition letter), the PHA chooses to transfer the \$220,000 it realizes in cash proceeds to the Other AMP column. Once transferred, these funds remain in a restricted account. The recommended entries on the FDS Operating Statement would be as follows:

Account Number	Description	Other AMP	COCC
10010	Operating transfer in	\$220,000	
10020	Operating transfer out		\$220,000

The PHA would Debit a Cash-Restricted account on the balance sheet of Other AMP. Which Restricted Cash account depends on the nature of the restriction. The following accounts may apply, when the funds are externally restricted (i.e. HUD) for specified future use.

112	Cash-restricted-modernization and development
113	Cash-other restricted
115	Cash - Restricted for payment of current liability

The grid below provides an example of the \$220,000 sales proceeds designated, or restricted by HUD (see explanation, below)

Account	Description	Other AMP	Central Office Cost Center
111	Cash-unrestricted		\$ 5,000
112	Cash-restricted-modernization and development	\$20,000	
113	Cash-other restricted	\$200,000	

The Balance sheets above also reflects an unrelated \$5,000 in operating cash maintained at the COCC, accounted for as Cash-unrestricted.

The Other AMP Balance Sheet reflects the sales proceeds, which have been externally (HUD) restricted to:

- \$20,000 to fund modernization of 10 ACC units per account # 112
- \$150,000 to fund replacement cost for the data processing facility per account # 113
- \$50,000 to fund a portion of Legacy liabilities of the PHA; each per account # 113

These three designations equal \$ 220,000, the actual proceeds realized from the sale. The \$5,000 maintained at the COCC represents unrelated operating funds.

The above example assumes the disposed fixed asset was booked to the COCC. The PHA may alternatively opt to initially book Program assets used by the COCC to Other AMP, as a Program asset.

PHA Use of Proceeds – Disposition of an Asset

Proceeds may be used in accordance with requirements from the Special Applications Center (SAC) related to the approved disposition of an asset. As stated in the example, the building was a program asset assigned to COCC, which means HUD funded its acquisition and controls use of sales proceeds. Proceeds are therefore recorded in a cash-restricted account, unless HUD removes that restriction.