MONTH END & YEAR END CLOSE

CCHRCO Spring Workshop 2023

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BDO PHA FINANCE

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With You Today

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Typical LIPH Relationship Between General Ledger (GL) And Subsidiary Ledgers

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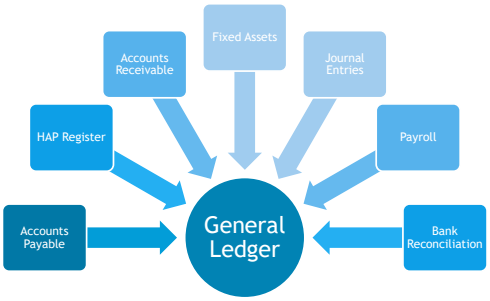
Typical HCV Relationship Between General Ledger And Subsidiary Ledgers



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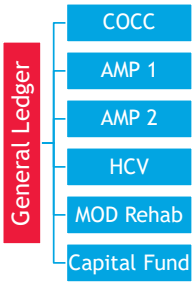
General Ledger And Funds



The general ledger contains a series of funds to account for financial transactions for each program.

This allows separate reporting for program the PHA administers.

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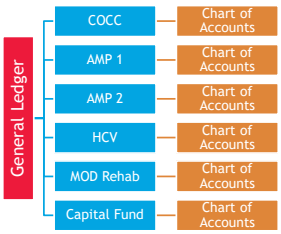
General Ledger And Funds



Each ledger has its own chart of accounts.

For example, Dwelling Rental Income would be the HUD suggested account 3110 for each fund has Dwelling Rental Income.

The account string will be consistent for each fund. See next slide.

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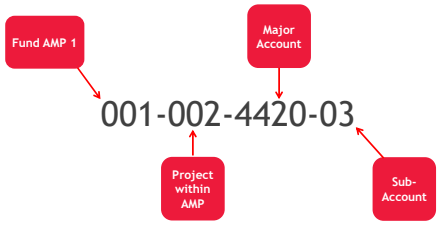
The Chart Of Account String



- The account string is consistent throughout the general ledger
- The account string is segmented to provide flexibility for reporting

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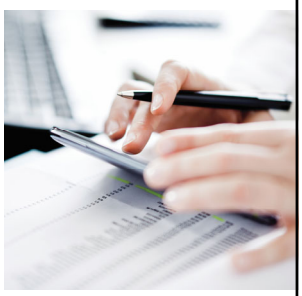
The Chart Of Accounts

- Each fund within the general ledger has their own chart of accounts
- The chart of accounts is a systematic approach to record like kind transactions in the same account
  - For example, all dwelling rental income will be recorded in the HUD suggested account code 3110 Dwelling Rental income



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Introduction to the Chart of Accounts & Financial Transactions

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The Chart of Accounts

The chart of accounts can be obtained in HUD Handbook 7510.1 as revised in the HUD's GAAP Conversion Guide.

The accounts are suggested, but not mandatory that you use them.

Guidebook 7510.1

CHAPTER 4

IV. HUD Chart of Accounts
IV. Chart of Accounts

INTRODUCTION TO THE HUD CHART OF ACCOUNTS

Prescribed Accounts

The account categories prescribed in this chapter apply to a variety of assisted Public and Indian Housing (PIH) programs and reflect those accounts which are used on approved program budgets and on the HUD reporting forms in Chapter 3. It is important that consistency be maintained in these accounts to allow HUD to review and evaluate budget proposals for compliance with regulatory requirements and to monitor actual expenditures against approved budget estimates.

The HA must use the prescribed account categories for the source and application of funds related to transactions for operating income and expense, and for development and modernization programs. If the HA establishes additional accounts for recording transactions for these activities, the accounts must be established as subdivisions of prescribed accounts and must be maintained in such a manner that they can readily be combined into the prescribed classifications for uniform reporting purposes.

Organization of the Chart of Accounts

The Chart of Accounts uses the following account categories:

A. 1000 ASSET ACCOUNTS

1100-1200	CURRENT ASSETS
1400	FIXED ASSETS
1400.21	Modernization & Development Cost

B. 2000 LIABILITY & SURPLUS ACCOUNTS

2100-2600	LIABILITY ACCOUNTS
2800	SURPLUS ACCOUNTS
	2820-2827: Operating/Program Reserves
2900	MUTUAL HELP CAPITAL CONTRIBUTIONS

FIH Low-Rent Technical Accounting Guide January, 1996
IV-1

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HUD Suggested Chart of Accounts Categories

Account Number	Header Account	Account Number	Header Accounts
1100	Cash & Related Items	4200	Tenant Service Exp.
1200	Deferred Charges	4300	Utility Expenses
1400	Fixed Assets	4400	Maintenance Exp.
2100	A/P & Liabilities	4500	General Expense
2200	Deferred Revenue	4600	Non-Routine Exp.
2800	Equity	4700	HAP Expense
3000	Revenue Accounts	4800	Depreciation Exp.
4100	Admin. Expenses	5000	Interest Expense

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Assets & Related Accounting Entries

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Cash & Investments

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Bank Reconciliation Example

- Ending bank balance is reported from bank statement
- Deposits in transit are deposits that are on the general ledger, but not on the bank statement
- Outstanding Checks are checks issued, but did not clear the bank
- Deposits must equal the activity on both the general ledger
- Withdrawals must equal the activity on the general ledger

Ending Bank Balance, 12/31/06			$ 1,410,212.03
Add: Deposits in Transit		-	
Less: Outstanding Checks		395,987.01	
Adjusting Bank Balance, 12/31/06			$ 1,014,225.02
Beginning general ledger balance, 11/30/06			$ 1,476,894.78
Deposits			
Rent	292,456.78		
Subsidy	500,000.00		
Interest	119.99		
Transfers	20,000.00		
Voids	123.33		
			812,700.10
Withdrawls			
Payroll	276,589.43		
Opreating	978,675.43		
Bank Fees	105.00		
Transfers	20,000.00		
			1,275,369.86
Ending general ledger balance, 12/31/06			$ 1,014,225.02

Bank balance and G/L must always agree at month end.

ETB

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What is "ETB"

The acronym, ETB, stands for Extended Trial Balance or another common acronym is just TB for Trial Balance.

This number will match the amount on the Trial Balance.

Adjusted Trial Balance
March 31, 2018

ACCOUNT	DEBIT	CREDIT
Cash	$3,685	
Accounts Receivable	4,875	
Supplies	350	
Prepaid Rent	5,250	
Equipment	15,600	
Accumulated Depreciation, Equipment		$ 325
Accounts Payable		975
Salaries Payable		1,350
Unearned Service Revenue		600
Common Stock		10,000
Retained Earnings		7,600
Dividends	1,000	
Service Revenue		13,175
Salaries Expense	1,350	
Rent Expense	1,050	
Utilities Expense	345	
Depreciation Expense, Equipment	325	
Supplies Expense	275	
Total	$34,105	$34,105

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Bank Reconciliation Common Errors

1. Check cleared for a different amount
2. Didn't post interest income
3. Missed deposit in transit
4. Missed miscellaneous debit/credit
5. Miscalculated an amount
6. Timing issues with transfers
7. Software issues
8. Bank reconciliation does not equal general ledger

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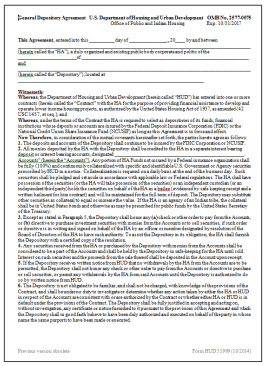
General Depository Agreement

Each bank that a PHA maintains deposits at the PHA and the bank is required to sign this document and must not be edited.



General Depository Agreement U.S. Department of Housing and Urban Development OMB No. 2577-0078
Office of Public and Indian Housing Exp. 10/31/2007

This Agreement, entered into this _____ day of _____, 20___, by and between:

_____
(herein called the "HA"), a duly organized and existing public body corporate and politic of the
_____ of _____

and

_____
(herein called the "Depository"), located at
_____

Witnesseth:
Whereas, the Department of Housing and Urban Development (herein called "HUD") has entered into one or more contracts (herein called the "Contract") with the HA for the purpose of providing financial assistance to develop and operate low-rent housing projects, as authorized by the United States Housing Act of 1937, as amended (42 USC 1437, et seq.), and;
Whereas, under the terms of the Contract the HA is required to select as depositories of its funds, financial institutions where deposits or accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) as long as this Agreement is in force and effect.
Now Therefore, in consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:
1. The deposits and accounts of the Depository shall continuously be insured by the FDIC Corporation or NCUSIF.
2. Upon request of the HA, the Depository shall be entitled to the HA to a separate interest bearing Account or interest bearing account, designated
Accounts" (hereinafter "Account"). Any portion of HA Funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD in a notice. Collateralization is required on a daily basis at the end of the business day. Such collateral shall be held by a third party custodian bank or Federal Reserve Bank, pursuant to a tri-party agreement. The process of the securities (or the HA will take possession of the securities) or an independent custodian (an an independent third party) holds the securities on behalf of the HA as a bailee (evidenced by safe keeping receipt and a written bailment for hire contract) and will be maintained for the full term of deposit. The Depository may substitute other securities as collateral by equal or increase fair value. If the HA is an agency of an Indian tribe, the collateral shall be held in United States bonds and otherwise as may be prescribed for public funds by the United States Secretary of the Treasury.
3. Except as stated in Paragraph 5, the Depository shall honor any (a) check or other order to pay from the Account, or (b) directive to purchase investment securities with monies from the Account or to sell securities, if such order or directive is in writing and signed on behalf of the HA by an officer or member designated by resolution of the HA's governing body. If HUD shall be a party to or shall assume the Depository as its obligation, the HA shall furnish the Depository with a certified copy of this resolution.
4. Any securities received from the HA or purchased by the Depository with monies from the Accounts shall be considered to be part of the Accounts and shall be held by the Depository in safe-keeping for the HA until sold. Interest on such securities and the proceeds from the sale thereof shall be deposited in the Account upon receipt. If HUD shall give written notice to the Depository that no withdrawals by the HA from the Accounts are to be permitted, the Depository shall not honor any check or other order to pay from the Accounts or directive to purchase or sell securities, or permit any withdrawals by the HA from such Accounts until the Depository is authorized to do so by written notice from HUD.
6. The Depository is not obligated to be familiar, and shall not be charged, with knowledge of the provisions of the Contract, and shall be under no duty to investigate or determine whether any action taken by either the HA or HUD in respect of the Account was consistent with, or was authorized by the Contract or whether either HA or HUD is in default under the Contract. The HA and HUD, jointly and severally, hereby indemnify the Depository and, without an obligation, any certificate or notice furnished to it pursuant to the provisions of this Agreement and which the Depository shall in good faith believe to have been duly authorized and executed on behalf of the party in whose name the same purports to have been made or executed.

Previous version obsolete Form HUD-51999 (10/2004)

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Investments

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, states that, "Governmental entities should report investments at fair value in the balance sheet. (Or other statement of financial position)

- Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale"
- GASB Statement No. 31, also states that, *"all investment income, including changes in the fair value of investments, should be recognized as revenue in the operating statement."*

Dr. 1162	$250	
Cr. 3610		$250
Record interest income		

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Investments

A subsidiary investment ledger should be maintained to monitor investments.

Housing Authority
Investment Register

Project	Investment	Number	Amount	Rate	Purchased	Maturity	Payment
LIPH 1	CD	0000-786-009	$ 50,000.00	6%	7/1/2004	6/30/2007	Quarterly
LIPH 2	CD	0000-786-010	50,000.00	6%	7/1/2004	6/30/2007	Quarterly
			$ 100,000.00				

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Accrued Interest Receivable

Housing Authority
Accrued Inerest Receivable
12/31/2021

Project	Investment	Number	Amount	Rate	Purchased	Maturity	Payment
LIPH 1	CD	0000-786-009	$ 50,000.00	6%	7/1/2004	6/30/2007	Semi Ann
LIPH 2	CD	0000-786-010	50,000.00	6%	7/1/2004	6/30/2007	Semi Ann
			$ 100,000.00				

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Amount Invested	Rate			Accrued Interest
$ 50,000.00	6%	$ 3,000.00	182 days	$ 1,500.00
50,000.00	6%	3,000.00	182 days	1,500.00
$ 100,000.00		$ 6,000.00		$ 3,000.00

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Dr. 1120 $1,500
Cr. 3610 $1,500
Record interest receivable

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Tenant Accounts Receivable

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Tenant Accounts Receivable

- Sometimes called TAR
- Amounts owed to the PHA from the resident charges incurred for
  - Rent
  - Other tenant charges
    - Maintenance
    - Lock outs
    - Court
    - Excess utilities
    - Fraud

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Case Study for Tenants Accounts Receivable

- What would the entry be if the dwelling rental income is $500 and excess utilities is $100?
- What would be the entry if the resident only paid $450?
- What does this mean?
- The facts:
  - TAR is account 1122
  - Rental income is account 3110
  - Excess utilities is account 3120
  - Cash is account 1111.1
- What is your answer?

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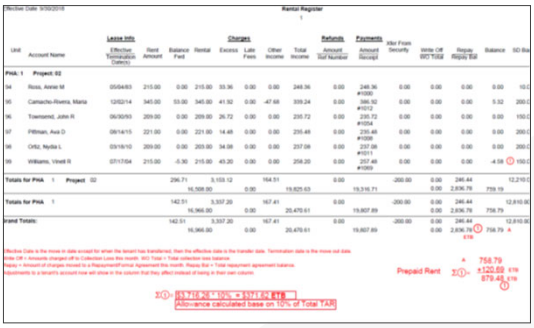
Snapshot – TAR Report



Rental Register

Unit	Account Name	Lease Info: Effective Termination Date(s)	Rent Amount	Balance Fwd	Charges: Rental	Excess	Late Fees	Other Income	Total Income	Refunds: Amount Ref Number	Payments: Amount Receipt	Xfer From Security	Write Off WO Total	Repay: Repay Bal	Balance	SD Ba
Prop. 1	Project: 02															
04	Ross, Annie M	05/04/83	215.00	0.00	215.00	33.36	0.00	0.00	248.36	0.00	248.36 #1080	0.00	0.00	0.00	0.00	10
05	Camacho-Rivera, Maria	12/02/14	345.00	53.00	345.00	41.92	0.00	-47.68	339.24	0.00	386.92 #1012	0.00	0.00	0.00	5.52	200
06	Townsend, John R	06/30/93	209.00	0.00	209.00	26.72	0.00	0.00	235.72	0.00	235.72 #1054	0.00	0.00	0.00	0.00	150
07	Pittman, Ava D	09/14/15	221.00	0.00	221.00	14.48	0.00	0.00	235.48	0.00	235.48 #1098	0.00	0.00	0.00	0.00	250
08	Ortiz, Nydia L	03/18/10	209.00	0.00	209.00	34.08	0.00	0.00	257.08	0.00	257.08 #1011	0.00	0.00	0.00	0.00	250
09	Williams, Vinell R	07/17/04	215.00	-0.30	215.00	45.20	0.00	0.00	258.20	0.00	257.48 #1069	0.00	0.00	0.00	-4.58	150
Totals for PHA 1	Project 02			296.71	16,508.00	3,153.12	0.00	164.51	19,825.63	0.00	19,316.71	-200.00	0.00 / 0.00	246.44 / 2,836.76	759.19	12,210
Totals for PHA 1				142.51	16,966.00	3,337.20	0.00	167.41	20,470.61	0.00	19,807.89	-200.00	0.00 / 0.00	246.44 / 2,836.76	758.79	12,810
Grand Totals:				142.51	16,966.00	3,337.20	0.00	167.41	20,470.61	0.00	19,807.89	-200.00	0.00 / 0.00	246.44 / 2,836.76	758.79	12,810

Effective Date is the move in date except for when the tenant has transferred, then the effective date is the transfer date. Termination date is the move out date.
Write Off = Amounts charged off to Collection Loss this month. WO Total = Total collection loss balance.
Repay = Amount of charges moved to a RepaymentForma Agreement this month. Repay Bal = Total repayment agreement balance.
Adjustments is a tenant's account now will show in the column that they affect instead of being in their own column.

Prepaid Rent

Allowance calculated base on 10% of Total TAR

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Allowance for Doubtful Accounts

What happens when we think a tenant's outstanding balance receivable will not be collected?

- We have to create an allowance for doubtful accounts so the receivable will not be overstated

When determining an amount for an allowance, consider such factors as receivable aging reports and historical collection reports.

- Estimating the amount of receivable that won't be collected.

Tenant A/R	$5,000
Amount allowed	(3,000)
Net Tenant A/R	2,000

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Allowance for Doubtful Accounts – Aging Report

Housing Authority
TAR Aging Report as 12/31/18

	Less then 90 days	90-180 days	over 180 days	Total
Smith	$ 50	$ -	$ -	$ 50
Jones	50			50
Weir		75		75
Lesh		75		75
Vedder			100	100
	$ 100	$ 150	$ 100	$ 350

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Items to consider:

- What will be considered uncollectible?
- What % will you be using?
- Past history?

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Allowance for Doubtful Accounts – Write Offs

HOUSING AUTHORITY
Allowance for Doubtful Accounts
12/31/2018

Fiscal Year	Writeoffs	Receivables	Total
2014	2,100.00	900.00	3,000.00
2015	2,200.00	800.00	3,000.00
2016	1,900.00	850.00	2,750.00
Total	6,200.00	2,550.00	8,750.00
Total Writeoffs	6,200.00		
÷ Total Receivables & Writeoffs	8,750.00		
Writeoff Percentage	70.9%		
TAR 12/31/16	850.00		
Writeoff Percentage	70.9%		
Allowance for Doubtful Accounts	**603.00** (Rounded)		

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Allowance for Doubtful Accounts - Accounting Entries

Account	Description	Amount
Dr. 4570	Bad Debt	$600
Cr. 1122.1	Allowance for doubtful accounts	600
To create allowance for doubtful accounts		
Dr. 1122.1	Allowance for doubtful Accounts	$600
Cr. 1122	Tenants accounts receivable	600
To write off tenant accounts receivable		

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Tenant Accounts Receivable

- When a PHA determines that a receivable is uncollectable, the PHA can write it off
- PHAs **CAN** obtain Board approval prior to writing off bad debt
- Write-offs typically happen at the discretion of the PHA
  - Monthly
  - Quarterly
  - Twice a year
  - Annually

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Other Receivables

Fraud, Other Governments, HUD, Other PHAs Travel Advances & Inter-funds

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Fraud Receivables

Account	Description	Amount
Dr. 1122.xx	Tenants accounts receivable - fraud	$600
Cr. 3690.xx	Other income	600
To record fraud receivable		
Dr. 4570	Bad debt expense	$600
Cr. 1122.xx	Allowance for fraud A/R	600
Create allowance for doubtful accounts - Fraud		

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Other PHAs

- Most common occurrences of this type of receivable in Public Housing is when the PHA is managing another PHA and collecting a fee

Terrapin Housing Authority
Management Fee Receivable

January	$ 7,000.00
February	7,000.00
March	7,000.00
Total	$ 21,000.00

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Memo:
The Terrapin Housing Authority manages a nearby Authority. Fees are based on a management agreement.

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Travel Advances

Terrapin Housing Authority
Travel Advance Receivable
12/31/21

	Advanced	Supported	Due PHA
J. Kimball	$ 200.00	$ 175.00	$ 25.00
P. Lindsay	200.00	200.00	-
B . Weir	200.00	100.00	100.00
M. Hart	200.00	105.00	95.00
	$ 800.00	$ 580.00	$ 220.00

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Inter-funds

- Inter-funds typically start because one fund acts as a revolving fund and pays for expenses or receives income for corresponding fund (programs)
  - Expense - A/R created on originating fund and expense and A/P is recorded on corresponding fund
  - Income – A/P created on originating fund and income and A/R is recorded on corresponding fund
- Reconcile & settle monthly
  - Trace debits and credits between funds
  - As long as the inter-funds reconcile to each other, a schedule does not necessarily have to be created
  - Reimburse corresponding fund monthly

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Notes Receivable

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Notes Receivable

ETB

Year	Debt Servicing Payment	Interest Revenue	Reduction to Loan Principal	Outstanding Balance
				$400,000.00
1	$38,536.92	$20,000.00	$18,536.92	$381,463.08
2	$38,536.92	$19,073.15	$19,463.77	$361,999.31
3	$38,536.92	$18,099.97	$20,436.95	$341,562.36
4	$38,536.92	$17,078.12	$21,458.80	$320,103.56
5	$38,536.92	$16,005.18	$22,531.74	$297,571.82
6	$38,536.92	$14,878.59	$23,658.33	$273,913.49
7	$38,536.92	$13,695.67	$24,841.25	$249,072.24
8	$38,536.92	$12,453.61	$26,083.31	$222,988.93
9	$38,536.92	$11,149.45	$27,387.47	$195,601.46
10	$38,536.92	$9,780.07	$28,756.85	$166,844.61
11	$38,536.92	$8,342.23	$30,194.69	$136,649.92
12	$38,536.92	$6,832.50	$31,704.42	$104,945.50
13	$38,536.92	$5,247.27	$33,289.65	$71,655.85
14	$38,536.92	$3,582.79	$34,954.13	$36,701.73
15	$38,536.81	$1,835.09	$36,701.72	$0.00

ETB

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Notes Receivable – Considerations

1. Interest revenue will equal $19,073.15 in your general ledger and will match your amortization schedule at the end of Year 2
2. A comparison of PY vs. CY outstanding loan receivable balance would show a reduction principle of $19,463.77 at the end of Year 2
3. The amount due to the PHA on the general ledger would be $361,999.31 at the end of Year 2, current portion $20,436.95

Account	Description	Amount
Cr. 3690	Interest revenue	$19,073.15
Cr. 1129	Current portion of loan receivable	19,463.77
Dr. 1111.1	Unrestricted cash	38,536.92

This represents loan payments received on an annual basis. This entry would need to be prorated on a monthly, quarterly, etc basis.

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Prepaid Assets

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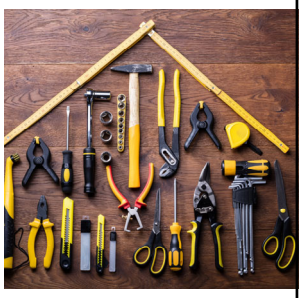
Prepaid Assets

The most common prepaid assets could be:

- Prepaid insurance
- Prepaid contract costs
  - Elevator
  - Software
  - HVAC



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Prepaid Insurance

Per ACC, HUD Form 53012B:

- Commercial Property
- General Liability
- Workers Compensation
- Owned & Non-Owned Auto
- Theft
- Employee Dishonesty
- Boiler - mandatory for steam only, but recommended
- Flood – only in flood plain
- Lead-Based Paint - only if testing

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Prepaid Insurance

- Authorized insurance companies must be licensed to write insurance in state
- Insurance certificates must include type of coverage, limits, policy numbers, beginning and end dates
- Waivers for any self insurance must be HUD approved

Optional:

- Directors and Officers or Public Liability
- Law Enforcement

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Prepaid Insurance Register

Terrapin Housing Authority
Prepaid Insurance 3/31/2018

		January	February	March	April	May
Property						
1/1/06 - 12/31/06	**Balance**	$ -	$ 45,833.00	$ 41,666.00	$ 37,499.00	$ 33,332.00
	Renewal	50,000.00				
	Expired	4,167.00	4,167.00	4,167.00	4,167.00	4,167.00
	Balance	45,833.00	41,666.00	37,499.00	33,332.00	29,165.00
				ETB		
Liability						
1/1/06 - 12/31/06	**Balance**	$ -	27,500.00	25,000.00	22,500.00	20,000.00
	Renewal	30,000.00				
	Expired	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
	Balance	27,500.00	25,000.00	22,500.00	20,000.00	17,500.00
	Total Expired	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00	$ 6,667.00
				ETB		

Items to Consider:

- Is allocation correct between programs?
- Is allocation correct between AMPs?
- Does insurance expense reconcile in each program/AMP?

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Prepaid Insurance/Expense Entry

Account	Description	Amount
Dr. 1210	Prepaid insurance	$50,000
Cr. 1111.1	Unrestricted Cash	50,000
Record prepaid insurance payments		
Dr. 4510	Insurance expense	$4,167
Cr. 1210	Prepaid insurance	4,167
Expense insurance monthly		

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Contract Register

Terrapin Housing Authority
Contract Register

Vendor	Awarded Amount	Contract Number	Amount Paid Amount	Amount Paid Check	Retention	Change Order Number	Change Order Amount	Remaining
Webb Construction	$500,000.00	201x-09	$100,000.00	1030	$(10,000.00)	1	$25,000.00	$415,000.00
					ETB			

- Same entries as prepaid insurance if there is prepaid contract such as software
- If no prepaid contract, just use the contract register to track expenditures and change orders

Items to Consider:

- Who is responsible for maintaining the register?
- Changes orders and retention amounts

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Materials Inventory

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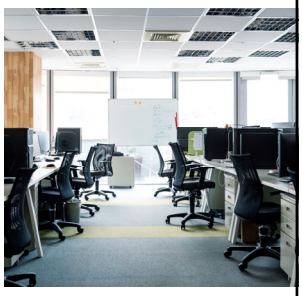
Materials Inventory

- Authorities generally maintain one of the two types of inventory tracking methods
  1. Physical
  2. Perpetual
- Can be maintained for office supplies and maintenance materials



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Physical Inventory Method

- Items are expensed when purchased
  - Reported on income statement immediately
- Most cost-effected method for smaller PHAs
- A physical count of inventory will be taken at year-end for general ledger reconciliation

Account	Description	Amount
Dr. 4420.xx	Materials - Plumbing	$7,000
Cr. 1111.1	Unrestricted Cash	7,000

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Perpetual Inventory Method

- Items are classified as materials inventory when purchased and relieved from inventory when put in use (expensed)
  - Items are placed on balance sheet at time of purchase and expensed to income statement when put into use
- Provides “real-time” inventory
- Perpetual can be more time consuming to maintain then the Physical method
- Physical inventory count is still taken at year-end and reconciled to inventory account

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Perpetual Inventory Accounting Entries

Account	Description	Amount
Dr. 1260	Inventory - Electrical	$5,000
Cr. 1111.1	Unrestricted Cash	5,000
Record purchase of electrical supplies		
Dr. 4420.x	Materials expense - Electrical	$3,000
Cr. 1260	Inventory - Electrical	3,000
Expense supplies when used via workorder		

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Physical Count Adjustment To General Ledger

At year end, each PHA will have to reconcile the physical count value of the inventory to the general ledger regardless of the **Physical or Perpetual method** of inventory.

For example, our physical count of inventory equated to $250,000 and the general ledger reported $225,000:

Account	Description	Amount
Dr. 1260	Materials inventory	$25,000
Cr. 4420	Materials expense	25,000

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Allowance Adjustment To General Ledger

An allowance should report amounts of inventory that is deemed to be obsolete

- Take a physical count
- Estimate a percentage

For example, at year-end, the physical count taken for obsolete inventory totaled $25,000. The general ledger is currently only reporting $20,000.

Account	Description	Amount
Dr. 4420	Materials inventory expense	$5,000
Cr. 1260.xx	Allow for obsolete inventory	5,000

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Materials Inventory Schedule

SKU #	Item	Cost	Quantity	Value
1010345	1/4 inch copper pipe	$ 3.00	4	$ 12.00
1010567	Jones- Door knob	8.00	30	240.00
1010675	1/4 inch nuts	0.05	75	3.75
1010897	Laminated Closet Door	40.00	10	400.00
				$ 655.75

ETB

Items to Consider:

- Determining cost of item
- How would you determine if an item was obsolete?
- When should physical count should be completed?
- Internal controls consideration
- Unit cost vs. box cost

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Fixed Assets & Depreciation

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Fixed Assets

Characteristics:

- Life expectancy is greater than one year
- Meets or exceeds dollar threshold
- Commonly referred to as "Hard Costs"

The GAAP basis for the treatment of fixed assets is derived from NCGA Statement No. 1, Governmental Accounting and Financial Reporting Principles.

- This statement says fixed assets are recorded at cost for each individual item or, if not practicably determined, estimated cost
  - Cost includes purchase price, shipping and installation fees
- Donated assets should be recorded at fair value at time received

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Fixed Asset Categories

1. Land
2. Buildings
3. Furniture, equipment, machinery - dwelling
4. Furniture, equipment, machinery - non-dwelling
5. Leasehold Improvements
6. Infrastructure
7. Accumulated Depreciation

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Fixed Asset Accounting Entry

Account	Description	Amount
Dr. 1400.9	Vehicles	$15,000
Cr. 1111.1	Unrestricted Cash	15,000
Record purchase of vehicle		
Dr. 1400.6	Land	$3,000
Cr. 1111.1	Unrestricted Cash	3,000
Record purchase of land		

Will be maintained on an AMP basis.

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Depreciation Expense

- HUD recommends the Straight-Line method for simplicity purposes
- We recommend you implement a Full Year or Mid Year convention for depreciation
- (HUD GAAP Flyer June 1999)

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Straight Line Depreciation

$$\frac{\text{Cost} - \text{Salvage Value}}{\text{Estimated Useful Life}}$$

Cost - Acquisition cost of asset (purchase price, shipping, installation)

Salvage Value - asset worth at end of useful life, **typically zero**

Estimated Useful Life - number of years the PHA expects to use the asset for its intended purpose

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Depreciation Case Study

Depreciation Example:

- Maintenance Van cost $25,000
- Useful Life is 5 years
- Salvage value is $0
- Purchased 1/1/18
- Year End 12/31/18

- What is the entry for the first year?

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Suggested Range of Depreciable Lives

(HUD GAAP FLYER 1999)

	Item	Suggested Life
1	Buildings	20 to 40 years
2	Building improvements	10 to 40 years
3	Furniture and Fixtures	5 to 10 years
4	Equipment	3 to 10 years
5	Telephones	5 years
6	Tools	5 years
7	Appliances	7 years
8	Furniture	10 years
9	Computers	3 years
10	Roofs	10 years
11	Leasehold Improvements	15 years or the life of the lease
12	Land & permanent improvements	None

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Fixed Asset Accounting Entry

Replacement

Account	Description	Amount
Dr. 1400.5	Accumulated depreciation	$35,000
Dr. 3690.xx	Gain/Loss on Sale of Fixed Asset	5,000
Cr. 1400.7	Original air conditioner (Equipment)	(40,000)
Dr. 1400.7	New air conditioner (Equipment)	70,000
Cr. 1111.1	Unrestricted cash	(70,000)
Record replacement of new air conditioner		

- **Original air conditioner cost $40,000**
- **YTD accumulated depreciation $35,000**
- **Replacement cost $70,000**

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Fixed Asset Accounting Entry

Old Asset Traded In For New Asset

Account	Description	Amount
Dr. 1400.5	Accumulated depreciation	$12,000
Cr. 1400.7	Old Car (Equipment)	(15,000)
Dr. 1400.7	New Car (Equipment)	21,000
Cr. 1111.1	Unrestricted cash	(18,000)
Record replacement of new air conditioner		

- **Original car cost $15,000**
- **Accumulated depreciation $12,000**
- **Cash $18,000 plus old car**

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Examples of Infrastructure Assets

Long Lived Lives

- Roads
- Bridges
- Tunnels
- Drainage Systems
- Water & Sewer Systems
- Lighting Systems
- Dams
- Docks

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Infrastructure Asset Phase In

Phase in dates for infrastructure assets:

PHASE	DATES
Phase 1 - $100 million + revenues	FY beginning after June 15, 2005
Phase 2 - $10 million in revenues	FY beginning after June 15, 2006
Phase 3 - Less than $10 million in revenues	Encouraged, but not required

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Depreciation Schedule Example

New Rochelle Municipal Housing Authority
AMP 1 - Fixed Asset Schedule
June 30, 2009

Asset	Property Description	Service Date In	Beginning Cost	Prior Depreciation	Additions Depreciation	Reductions Depreciation	Ending Depreciation	Method Book	Period Book
Land									
Site Acquisitions									
1	Site Acquisition	01/01/73	336,040.00	-	-	-	-	Land	0.0
2	Lot 22, Block 1237, S4	01/01/73	187,000.00	-	-	-	-	Land	0.0
Total Site Acquisitions			523,040.00	-	-	-	-		
Total Land			$ 523,040.00	$ -	$ -	$ -	$ -		
			F-16						
Buildings									
Dwelling Structures									
35	Dwelling Structures	01/01/73	1,515,907.00	1,345,367.76	37,897.68	-	1,383,265.43	S/L	40.0
36	Bathrooms	01/01/73	294,811.00	261,543.96	7,370.28	-	269,014.24	S/L	40.0
37	Elevators	01/01/73	97,366.00	50,834.95	1,431.65	-	52,266.20	S/L	40.0
38	Kitchens	01/01/73	120,652.00	107,078.10	3,018.30	-	110,096.40	S/L	40.0
66	Dwelling Structures	01/01/75	1,085,751.00	965,585.96	27,146.28	-	990,729.23	S/L	40.0
67	Bathrooms	01/01/75	216,197.00	191,875.51	5,404.93	-	197,280.43	S/L	40.0
68	Elevators	01/01/75	61,297.00	54,401.06	1,532.42	-	55,933.43	S/L	40.0
69	HVAC	01/01/75	156,318.00	138,722.68	3,907.95	-	142,630.60	S/L	40.0

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Fixed Assets

- 2 CFR 200 requires that a physical inventory count be completed at least every two years
- We recommend a physical count be taken every year
- Physical count is completed at year-end

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Expendable Equipment

- Not reported on general ledger
  - Expensed when purchased
- Equipment needs to be tracked even though the unit price is below the capitalization dollar threshold and not depreciated
  - Snow Blower
  - Leaf Blower
  - Space Heaters
  - Lawn Mowers
  - Circular Saws
  - Ranges & Refrigerators

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Liabilities

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Accounts Payable

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Accounts Payable

We must report all obligations due to vendors at fiscal year end for work performed during the fiscal year.

- We have a copy of the invoice
- Support will be required
- Invoices, not statements
- Determine a cut-off date

Account	Description	Amount
Dr. 4000	Expense Account(s)	$25,000
Cr. 2111	Accounts payable	25,000

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Accounts Payable

Invoices entered in accounting software as received:

- Each PHA can generate an A/P aging report directly from their software and this report must reconcile to the general ledger

Invoices entered into accounting software when paid:

- Each PHA will review their check disbursements subsequent to their year-end (about 45 days) to determine which invoices were for the fiscal year they are closing out

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Accounts Payable Supporting Schedule

Vendor	Account #	W/P Ref.	Amount	Check #	Invoice Date	Check Date
Asher	41701	AA01.01	$ 1,140.00	3248	3/17/2009	4/2/2009
Comcast	41901	AA01.02	155.92	3261	3/22/2009	4/8/2009
Lowes	4420	AA01.03	140.64	3254	3/25/2009	4/8/2009
Lowes	1260	AA01.03	1,276.97	3254	3/25/2009	4/8/2009
Lowes	41991	AA01.03	2.99	3254	3/25/2009	4/8/2009
Shenandoah Valley	41991	AA01.04	43.88	3255	3/30/2009	4/8/2009
Valley Termite	44301	AA01.05	300.00	3258	3/25/2009	4/8/2009
Monro	44301	AA01.06	755.13	3262	3/28/2009	4/8/2009
Jaymaxx	41991	AA01.07	2,802.50	3263	3/30/2009	4/8/2009
Cintas	44301	AA01.08	340.10	3264	3/31/2009	4/8/2009
Cintas	44301	AA01.09	221.40	3264	3/31/2009	4/8/2009
First Advantage	41351	AA01.10	288.95	3267	3/31/2009	4/14/2009
BP (3/16)***	44201	AA01.11	25.82	3265	4/6/2009	4/14/2009
BP (3/16)***	44201	AA01.11	49.87	3265	4/6/2009	4/14/2009
Purchase Power***	41911	AA01.12	342.53	3268	4/6/2009	4/14/2009
Home Depot Credit***	1260	AA01.13	355.00	3270	4/9/2009	4/21/2009
Staples (3/19)***	41991	AA01.15	19.79	3279	4/17/2009	4/21/2009
Staples (3/22)***	41991	AA01.15	16.46	3279	4/17/2009	4/21/2009
Mileage Reimbursement	41501	AA01.16	31.59		4/17/2009	4/21/2009
Total			**$ 8,309.54**			

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Security Deposit Liability

- A security deposit is not the same as rent
- Money is held in escrow for tenant-caused damages and sometimes past-due rent
- Should be offset by a corresponding cash account that is reported as security cash on the FDS
- Support can be obtained from tenant register
  - Register will show a listing of residents and the balances owed
  - The HUD suggested account is 2114 for security deposit Liability

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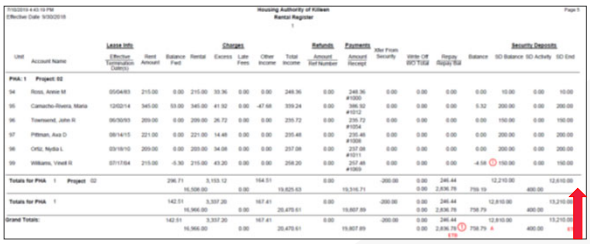
Snapshot – Security Deposit Report



Housing Authority of Killeen
Rental Register

Unit	Account Name	Lease Info: Effective Date	Lease Info: Termination Date(s)	Rent Amount	Balance Fwd	Rental	Charges: Excess	Charges: Late Fees	Charges: Other Income	Charges: Total Income	Refunds: Amount	Refunds: Ref Number	Payments: Amount	Payments: Receipt	After Prem Security	Write Off (NOT TOU)	Repay Repay Bal	Balance	Security Deposits: SD Balance	Security Deposits: SD Activity	Security Deposits: SD End
Prjk: 1	Project: 02																				
54	Ross, Annie M	05/04/93		215.00	0.00	215.00	33.36	0.00	0.00	248.36	0.00		248.36	0.00	0.00	0.00	0.00	0.00	10.00	0.00	10.00
55	Camacho-Rivera, Maria	12/02/14		345.00	53.00	345.00	41.92	0.00	-47.68	339.24	0.00		386.92 #1000	0.00	0.00	0.00	5.32	200.00	0.00	200.00	
56	Townsend, John R	06/30/93		209.00	0.00	209.00	26.72	0.00	0.00	235.72	0.00		235.72 #1012	0.00	0.00	0.00	0.00	150.00	0.00	150.00	
57	Pittman, Ava D	08/14/15		221.00	0.00	221.00	14.48	0.00	0.00	235.48	0.00		235.48 #1054	0.00	0.00	0.00	0.00	200.00	0.00	200.00	
58	Ortiz, Nydia L	03/19/10		209.00	0.00	209.00	34.08	0.00	0.00	237.08	0.00		237.08 #1058	0.00	0.00	0.00	0.00	200.00	0.00	200.00	
59	Williams, Vivell R	07/17/64		215.00	-5.30	215.00	43.20	0.00	0.00	258.20	0.00		257.49 #1063	0.00	0.00	0.00	-4.58	150.00	0.00	150.00	
Totals for Prjk: 1	Project: 02				296.71 16,508.00	3,153.12	0.00	164.51	19,825.63		0.00		19,516.71		-200.00	0.00 0.00	246.44 2,836.78	756.19	12,210.00	400.00	12,610.00
Totals for Prjk: 1					142.51 16,966.00	3,357.20	0.00	167.41	20,470.61		0.00		19,807.89		-200.00	0.00 0.00	246.44 2,836.78	758.79	12,810.00	400.00	13,210.00
Grand Totals:					142.51 16,966.00	3,357.20	0.00	167.41	20,470.61		0.00		19,807.89		-200.00	0.00 0.00	246.44 2,836.78	758.79	12,810.00	400.00	13,210.00

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Family Self Sufficiency

The program established by a PHA in accordance with 24 CFR part 984 to promote self-sufficiency of assisted families, including the coordination of supportive services.

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Family Self Sufficiency (FSS) Escrow

- Portion of rent that is escrowed for participation in resident self sufficiency program
- As residents meet certain goals, their rent contribution increases and so would their escrowed amount
- PHA must make interest deposits at the minimum annually

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FSS Escrow

Monthly Escrow Deposits - June 2008

ETB

Name	Account #	June	Total Escrow	Comments
Baker, Corie	V0070037201			
Bell, Andrea	V0071005701			
Bootz, Kerry	V0070080105		$4,548.00	
Breakiron, Fred	V0070021301			
Bryant, Latish	V0065000102			
Chambers, Tina	V0065003501	$ 436.00	$2,255	Increase from $108 to $436
Chambliss, Randy	V0070059805	$ 84.00	$252	
Collins, Sherise	V0070028802	$ 142.00	$672	
Coople, Tina	V0070041402	$ 47.00	$282	
Cox, Charise	V0070022503	$	$2,451	
Craggette, Roxanne	V0070063402	$ 16.00	$591.00	
Davis, Beverly	V0070056604	$ 47.00	$368	
Diggs, Janet	V0070050005			
Earley, Bobbi	V0070062604			
Friend, Lisa	V0070010403			
Gillan, Brenda	V0070003803	$ 237.00	$1,861	
Griest, Trina	V0070027002		$146	
Hallkenny, Bridgett	V0070028801	$41	$873	
Harris, Gladis	V0070048705		$1,086	
Henry, Elga	V0070079504			
Hollis, Vicki	V0071001201	$24	$240	

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FSS Escrow Monthly Accounting Entry

Account	Description	Amount
Dr. 4590	Other general expense	$5,000
Cr. 1111.1	Unrestricted cash	5,000
Record FSS escrow payment		
Dr. 1113	Restricted cash - FSS escrow	$5,000
Cr. 2130	FSS escrow liability	5,000
Record FSS escrow liability		

PHAs will have to make an adjustment on the Operating Subsidy Form 52723.

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FSS Escrow Forfeiture

- With the effective date of **June 16, 2022** the new FSS program rule states FSS escrow forfeitures will not revert to the program that provided the funds (HCV, LIPH, PBRA) but must be used for the benefit of FSS participants in good standing, per PHA policies established pursuant to 24 CFR 984.305(f)(2)
- For example, an HCV family is in the PHA's FSS program and their escrow account was funded with HCV HAP funds. If the family forfeits its escrow, the funds can be used for the benefit of any FSS participant in good standing, including an FSS participant that is a public housing resident

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FSS Escrow Forfeiture

- PHAs are required to create a separate FSS escrow forfeiture account into which the PHA will deposit all FSS escrow forfeitures on or after the new rule is effective (June 16, 2022), regardless of the funding source used to fund the escrow
- PHAs' accounting records must support the deposit of FSS escrow forfeiture into this account by the former FSS program participant
  - For example, when reviewing the HCV program, a HUD reviewer should be able to track the build-up of a FSS participant's escrow account in the HCV program, the forfeiture, and the deposit of the FSS escrow forfeitures into the FSS escrow forfeiture account

For FDS reporting, the FSS escrow Forfeiture Account will be reported in 14.EFA

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FSS Escrow Forfeiture

Support for FSS participants in good standing, including, but not limited to

- Transportation, childcare, training, testing fees, employment preparation costs, and other costs related to achieving obligations outlined in the FSS contract of participation,
- Training for FSS Program Coordinator(s), and
- Other eligible activities as determined by the Secretary

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FSS Escrow Forfeitures

Account	Description	Amount
Dr. 2130	FSS escrow liability	$5,000
Cr. 1113	Restricted cash - FSS escrow	5,000
Record FSS forfeiture		
Dr. 1113	Restricted cash	$5,000
Cr. 3690	Other income	5,000
Record transfer of FSS forfeitures on 14.EFA		

Per Accounting Brief #26

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Accrued Liabilities

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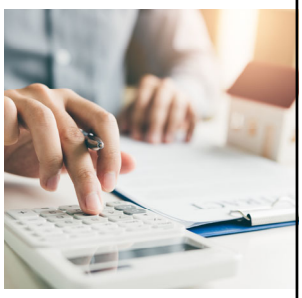
Accrued Liabilities

When an invoice **has not been received** by the PHA, but work is in process or completed during the fiscal year, the PHA must accrue that cost

- For example, the Terrapin Housing Authority (THA) has a June 30th fiscal year-end, the THA put on a new roof during the month of June, but didn't receive an invoice until the end of August or September, but the FDS was submitted before the invoice came



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Accrued Liabilities

The THA would record the expense and create the liability for the year ending June 30th

- How much to accrue?
- GAAP accounting is the matching process and requires the PHA to record the activity in the period when it occurs

Account	Description	Amount
Dr. 4000	Expense account(s)	$25,000
Cr. 2119	Other accrued liabilities	25,000

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Payment in Lieu of Taxes (PILOT)

- Calculation using **your Cooperation Agreement**
- Do not include garbage expense with utility costs
- Calculation will include:
  - Dwelling Income
  - Non-Dwelling Income
  - Excess Utilities
  - Utility Expense

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Payment in Lieu of Taxes (PILOT)

- If you have several AMPs, PILOT will be calculated on an AMP by AMP basis
- Remember to included all utility expenses, even related utility labor and benefits
- Does not included garbage expense, that is a maintenance utility cost

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Calculation of PILOT – HUD Form 52267

- Always calculate PILOT according to your cooperation agreement, not according to HUD's updated forms

Computation of Payments in Lieu of Taxes

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

For Fiscal Year Ended _____

OMB Approval No. 2501-0044 (Exp. 10/31/2006)

Public reporting burden for this collection of information is estimated to average 1 hour. For the PILOT Computation, reporting and recordkeeping, the estimated average time per response is 1 hour. For the Cooperation Agreement, reporting and recordkeeping, the estimated average time per response is 1 hour. This collection of information is required to obtain payments in lieu of taxes on the housing units owned by housing authorities (public housing projects) in accordance with the Cooperation Agreement between the local government and the housing authority. The information is used by the local government to determine if the payment in lieu of taxes is to be accurate. The agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Name of Local Agency:	Location:	Contract Number:	Project Number:

Part I - Computation of Shelter Rent Charged.

1. Tenant Rental Revenue (PHA Line 703)
2. Utilities Expense (PHA Line 931)
3. **Total Rental Charged** (Lines 1 & 2)
4. Utilities Expense (PHA Line 931 - 10%)
5. **Shelter Rent Charged** (Lines 3 & 4) 0.00

Part II - Computation of Shelter Rent Collected. To be completed only if Cooperation Agreement provides for payment of PILOT on basis of Shelter Rent Collected.

1. Shelter Rent Charged (Line 5 of Part I, above) 0.00
2. Add: Accounts Receivable - Tenants (PHA Lines 126, 126.1, & 126.2) at beginning of Fiscal year
3. Less: Tenant Bad Debt Expense (PHA Line 964)
4. Add: Accounts Receivable - Tenants (PHA Lines 126, 126.1, & 126.2) at end of fiscal year
5. Shelter Rent Collected (Line 1, plus Line 2, minus Lines 3 & 4) 0.00

Part III - Computation of Approximate Full Real Property Taxes.

(1) Taxing Authority	(2) Assessed Value	(3) Tax Rate	(4) Approximate Full Real Property Taxes
Total			0.00

Part IV - Limitation Based on Annual Contributions. (To be completed if Cooperation Agreement limits PILOT to an amount by which net property taxes exceed 10% of annual contributions.)

1. Approximate full real property taxes
2. Annual annual contribution for all projects under the contract
3. Net annual contribution (Line 2 minus Line 1)
4. 10% of annual annual contribution (10% of Line 3) 0.00
5. Approximate full real property taxes less 10% of annual annual contribution (Line 1 minus Line 4) (Enter on Line 1 of Part V) 0.00

Part V - Payments in Lieu of Taxes.

1. Units of shelter rent (Line 5 of Part I or Line 5 of Part II, whichever is applicable)
2. Payments in lieu of taxes (Line 1 of Part IV)
3. Payments in lieu of taxes (Line 2 of Part IV, if applicable, enter the amount shown on Line 3, above, or the total in Line 5B, whichever is applicable) (If payments in lieu of taxes are limited by Section 9(a)(2) of the U.S. Housing Act of 1937, as amended, enter the amount shown on Line 5A, above)

* Where units of shelter rent are charged, all expenses related to the housing of such units are excluded from consideration. (If the department does not include all projects under the annual contribution contract, enter primary place where based upon the developments (unit of open project).

** Where units of shelter rent are charged, the amount of shelter rent charged to tenants (Line 5 of Part I and Line 5 of Part II, whichever is applicable) shall be added to the amount of payments in lieu of taxes.

Warning: Use of unauthorized forms, falsified data, and deceitfulness, or omission may result in criminal prosecution and penalties (18 U.S.C. 1001, 1010, 1012, 31 U.S.C. 3729, 3802).

Prepared By:	Approved By:
Name:	Name:
Title: Date:	Title: Date:

Previous Editions are Obsolete Page 1 of 1 form HUD-52267 (6/2001)

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Payment In Lieu Of Taxes (PILOT)

- Authority should have Cooperation Agreement that details services provided from municipality
- Your PILOT calculation should be calculated per your Cooperation Agreement

Account	Description	Amount
Dr. 4000	PILOT expense	$15,000
Cr. 2137	Accrued PILOT	15,000

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Accrued Payroll

- The PHA must accrue payroll if the actual payment of wages are past the PHA's fiscal year-end, but the wages were earned during the PHA's fiscal year
- Review payroll registers

Terrapin Housing Authority
Accrued Payroll 3/31/2022

12/31/2016

Name	Division	Hours	Rate	Accrual
Smith	M	40	$ 12.75	$ 510.00
Jones	A	37.5	20.00	750.00
Iverson	A	37.5	20.00	750.00
				2,010.00
			FICA 7.65%	153.77
				$ 2,163.77

The Entry:

ETB

4110	1,500.00	
4410	510.00	
4540	153.77	
2117		2,163.77

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Accrued Payroll Taxes

- Amounts withheld from employee payroll and amounts accrued from employer benefits for the payment to a vendor
- Be careful not to accrue if already in accounts payable
  - FICA
  - Federal Withholding
  - Pension/Investment
  - Garnishment
  - Insurance
  - State/Local Taxes

Typically account 2117 & sub-accounts

91

Compensated Absences

- The GASB Codification Section C60 provides the guidance on compensated absences:
  - *"A liability is accrued for vacation leave that has been earned and vested, but unused at year-end"*
  - *"Sick leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits **are earned** by the employee only to the extent it is probable that the employee will be compensated for the benefits through cash payments conditioned on the employee's termination or retirement"*

92

Compensated Absences

Housing Authority
Compensated Absences
12/31/2016

Name	Years Employed	HOURS Sick	Vacation	Total	Rate	Accrual
Smith	5	5	40	45	$ 12.75	$ 573.75
Jones	5	5	20	25	20.00	500.00
Iverson	7	5	5	10	20.00	200.00
						1,273.75
					FICA 7.65%	97.44
						$ 1,371.19

With GASB 101 the amount earned no longer has to match the expense, just do the net change in laibility

ETB

Ending balance will match **cumulative** liability in general ledger

- Other required supporting documentation would consist of a schedule of your personnel policy and possibly a listing of staff with associated accumulated leave
- Expense and liability would be allocated based on schedule of salaries

93

Contingencies

- This liability is considered probable and can reasonably estimate the costs
  - Most common is a judgment for lawsuit
  - Take into consideration the insurance deductible

Account	Description	Amount
Dr. 4590	General expense	$15,000
Cr. 2119	Accrued contingency	15,000

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Notes Payable & Accrued Interest

95

Notes Payable

Year	Debt Servicing Payment	Interest Expense		Reduction to Loan Principal	Outstanding Balance	
					$400,000.00	
1	$38,536.92	$20,000.00		$18,536.92	$381,463.08	
2	$38,536.92	$19,073.15	ETB	$19,463.77	$361,999.31	ETB
3	$38,536.92	$18,099.97		$20,436.95	$341,562.36	
4	$38,536.92	$17,078.12		$21,458.80	$320,103.56	
5	$38,536.92	$16,005.18		$22,531.74	$297,571.82	
6	$38,536.92	$14,878.59		$23,658.33	$273,913.49	
7	$38,536.92	$13,695.67		$24,841.25	$249,072.24	
8	$38,536.92	$12,453.61		$26,083.31	$222,988.93	
9	$38,536.92	$11,149.45		$27,387.47	$195,601.46	
10	$38,536.92	$9,780.07		$28,756.85	$166,844.61	
11	$38,536.92	$8,342.23		$30,194.69	$136,649.92	
12	$38,536.92	$6,832.50		$31,704.42	$104,945.50	
13	$38,536.92	$5,247.27		$33,289.65	$71,655.85	
14	$38,536.92	$3,582.79		$34,954.13	$36,701.73	
15	$38,536.81	$1,835.09		$36,701.72	$0.00	

96

Notes Payable – A Few Tips

1. Interest expense will equal $19,073.15 in your general ledger and will match your amortization schedule at the end of Year 2
2. A comparison of PY vs. CY outstanding loan balance would show a reduction of principle in the amount of $19,463.77 at the end of Year 2
3. The amount owed from the PHA on the general ledger would be $361,999.31 at the end of Year 2

Account	Description	Amount
Dr. 4590	Interest expense	$19,073.15
Dr. 2119	Current portion of loan liability	19,463.77
Cr. 1111.1	Unrestricted cash	38,536.92
This represents loan payments on an annual basis. This entry would need to be prorated on a monthly, quarterly, etc basis.		

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Net Position

Equity

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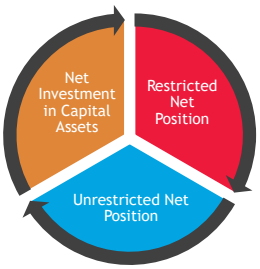
Net Position

- Used to be referred to as Net Assets or Equity
- There are typically 3 classifications of Net Position

1. Invested in Capital Assets
2. Restricted Net Position
3. Unrestricted Net Position



99

Invested in Capital Assets

- **This account represents capital assets** (land, improvements to land, easements, buildings improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period) including restricted capital assets, **net of accumulated depreciation** and **reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings** that are attributable to the acquisition, construction, or improvement of those assets

100

Net Investment in Capital Assets

Fixed Assets
- Accumulated Depreciation
= Net Fixed Assets
- Current portion of related capital debt
- Non-current portion of related capital debt
= Net Investment in Capital Assets

101

Restricted Net Position

- The difference between an entity's assets, deferred outflows and its liabilities and deferred inflows, which do not meet the definition of invested in capital assets, but are constrained in use by either:
  - Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments
  - Imposed by law through constitutional provisions or enabling legislation

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Unrestricted Net Position

- The difference between an entity's assets, deferred outflows and its liabilities and deferred inflows that do not meet the definition of restricted net position or invested in capital assets
- Net position should be reported as unrestricted when there are no constraints placed on net position use

103

Equity Schedule

HOUSING AUTHORITY
EQUITY SCHEDULE
9/30/2014

	AMP 1		
	Operating	CFP	TOTALS
Unrestricted Net Position			
Audit Balance @ 9/30/13	(511,429.94)	-	(511,429.94)
GASB 34	(95,739.07)	-	(95,739.07)
Prior Period Adjustments (FDS Only)	-	-	-
(Income) Deficit	96,429.43	-	96,429.43
Ending Balance	(510,739.58)	-	(510,739.58)
Total Equity	(1,357,455.81)	(87,397.66)	(1,444,853.47)

ETB

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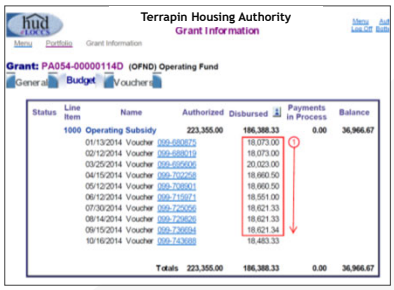
Income Accounts

- Dwelling rental income
- Excess utilities
- Non-dwelling rental income
- Interest income
- Other income
- Gain/loss on Equipment
- Subsidy
- Fee Revenue

105

LIPH Subsidy

- PHAs will log onto REAC and print a report to obtain a listing of subsidy draws for each AMP
- Make sure each AMP has a full year of funding because subsidy is awarded on calendar year
- If your PHA is a fiscal year-end, then will have to run reports for two calendar years



Status	Line Item	Name	Authorized	Disbursed	Payments in Process	Balance
	1000	Operating Subsidy	223,355.00	186,388.33	0.00	36,966.67
		01/13/2014 Voucher 099-680875		18,073.00		
		02/12/2014 Voucher 099-688019		18,073.00		
		03/25/2014 Voucher 099-695606		20,023.00		
		04/15/2014 Voucher 099-702258		18,660.50		
		05/12/2014 Voucher 099-708601		18,660.50		
		06/12/2014 Voucher 099-715971		18,551.00		
		07/30/2014 Voucher 099-725056		18,621.33		
		08/14/2014 Voucher 099-729826		18,621.33		
		09/15/2014 Voucher 099-736694		18,621.34		
		10/16/2014 Voucher 099-743688		18,483.33		
		Totals	223,355.00	186,388.33	0.00	36,966.67

BDO PHA FINANCE

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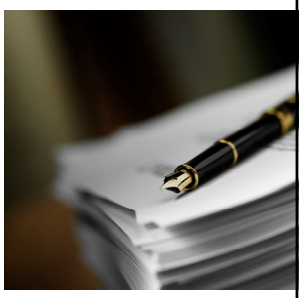
Expense Accounts

- Review all general ledger expense accounts to ensure that expenditures are recorded properly
- Make "adjustment" if required



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107

Section 8 Specific Items

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108

Cash Considerations

- HAP funding and administrative fee funding can be maintained in the same bank account, but must be tracked correctly
- Separate bank accounts are acceptable

109

Following The Money

Description	RNP	UNP
Income		
HAP Subsidy	X	
Admin Fee Subsidy		X
Interest Income		X
Port-In Income (HAP+Admin)		X
Voided HAP Checks	X	
FSS Forfeitures Income	Transferred to EFA	
Fraud Recovery Income	X	X
Expense		
HAP & UAP & Port Out+ FSS Escrow	X	
Port Out Admin Fee		X
Port In HAP & UAP		X
Bad Debt HAP	X	X
Administrative Costs		X

110

Fraud Recovery

111

Fraud Recovery

- The PHA retains an amount as unrestricted cash, either the greater of:
  - 50% of the amount recovered **or**
  - The actual and reasonable costs of recovery
- The other 50% or funds remaining is considered restricted, must be used for HAP purposes

112

Accounting For Fraud Recovery

- One of the complexities to account for fraud is HUD's VMS reporting vs. GAAP
  - VMS – only report ½ of the amount of the cash collected, or the amount that is considered restricted
  - FDS- Accrue 100% of the amount owed as an A/R and 50% as unrestricted revenue fraud recovery and 50%, or what is remaining, as restricted revenue fraud recovery
  - This causes reconciliation issues between the VMS and FDS

113

VMS vs. FDS – Fraud Recovery

VMS Reporting

The restricted cash and corresponding restricted equity will increase by the "actual" amount of cash collected that is considered to be restricted and reported on the VMS

FDS Reporting

The FDS reporting is based on the accrual basis of accounting and restricted cash and corresponding equity will increase based on the accrued amount of fraud revenue that is considered to be restricted

When the VMS's RNP doesn't match the FDS's RNP at FYE, then the REAC analyst can reject the FDS

114

Fraud Recovery Accounting Options

115

Accounting Entries – Fraud Recovery Example 1

Account	Description	Amount
1111.1/1129	Cash (Restricted/Unrestricted)/ A/R	$200
3690.HAP	Fraud recovery HAP portion	(100)
3690. Admin	Fraud recovery admin portion	(100)
To record fraud recovery when the cost to recover the amount is less than ½ of the amount of being recovered or no support for the recovery.		

116

Accounting Entries – Fraud Recovery Example 2

Account	Description	Amount
1111.1/1129	Cash (Restricted/Unrestricted)/ A/R	$200
3690.HAP	Fraud recovery HAP portion	(50)
3690. Admin	Fraud recovery admin portion	(150)
To record fraud recovery when the cost of recovery is greater than ½ of amount being recovered.		

117

Accounting Entries – Fraud Recovery Example 3 – Part I

Account	Description	Amount
1129	Accounts receivable fraud	$200
1129.1	Allowance for A/R fraud	(200)
To record fraud due to PHA		

118

Accounting Entries – Fraud Recovery Example 3 – Part II

Account	Description	Amount
1111.1	Cash (Restricted & Unrestricted)	$200
3690.HAP	Fraud recovery HAP portion	(100)
3690. Admin	Fraud recovery admin portion	(100)
1129	Accounts receivable fraud	(200)
1129.1	Allowance for A/R fraud	200
To record collection of fraud due to PHA		

119

Portability

120

Portability

- An eligible family that has been issued a housing choice voucher may use that voucher to lease a unit anywhere in the United States where there is a housing agency operating a housing choice voucher program

121

Initial And Receiving PHA's

INITIAL PHA
- Where tenant originates
- Where the tenant ports out of

RECEIVING PHA
- Where tenant moves to
- Where tenant ports in to

122

Portability

- The receiving PHA has the option to absorb or administer the tenant based on their ability to pay for the HAP them from their HAP funding available
- If the receiving PHA decides to absorb, then the tenant is simply part of the receiving PHA's HCV program and makes payments from their own budget authority
- If the receiving PHA decides to administer, then the tenant is still part of the initial PHA's baseline

123

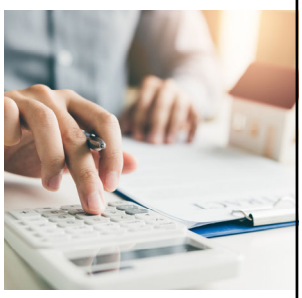
Portability – Receiving PHA

- Increase A/R from Initial PHA for HAP/UAP
- Increase A/R from Initial PHA for Admin Fee
- Receiving PHA is using UNP (Admin. Fee Reserve) to pay for HAP
- Not included on Receiving PHA's leasing schedule
- Must separate this Port-In HAP from other HAP

124

Portability – Receiving PHA

- Receiving PHA will receive the lesser of 80% of the Initial PHA's "B" administrative fee rate or 100% of their rate "B" administrative rate
  - Calculation of both rates will include proration



125

Portability In (Receiving PHA) – Accounting Entries

Account	Description	Amount
4715.Port-In	HAP	$600
1111.1	Cash unrestricted	(600)
1129.1	Port receivable (from PHA) HAP + Admin	660
3690.1	Portability income unrestricted	(660)

- The HAP portion is paid from Unrestricted cash since the tenant is Porting In from another PHA
- The Port Receivable is the HAP due to the administrating PHA and amount due for Administrative Fee

126

Portability – FDS Reporting

Remember, for Port-In HAP, all amounts are being paid from Administrative funds

Receiving PHAs must be reimbursed to replenish Administrative Fee reserve

- The $660 revenue will be reported on FDS line number 71500 and will manually be entered into the administrative equity roll forward portion of the memo portion of the FDS
- The HAP portion we are paying out for the Portable payment will be reported on FDS line 97350 and will flow directly to the administrative equity portion of the memo account

127

Example – Portability Receivable

Last	Utility Allowance	Admin Fee	Inv Data	Inv Total	THA pmt	Admin Fee	HAP Owed to THA Total
Annette					$ (718.00)	$ (38.68)	$ 756.68
Joanne		$ 38.68	$ 494.00	$ 532.68	$ 494.00	$ 38.68	$ (0.00)
Elisa		$ 38.68	$ 528.00	$ 566.68	$ 496.00	$ 38.68	$ 32.00
Emelina	$ 2.00	$ 38.68	$ 537.00	$ 577.68	$ 522.00	$ 38.68	$ 17.00
Elva	$ 142.00	$ 38.68	$ 700.00	$ 880.68	$ 842.00	$ 38.68	$ 0.00
Eustolia		$ 38.68	$ 225.00	$ 263.68	$ 225.00	$ 38.68	$ 0.00
Rebeca		$ 38.68	$ 386.00	$ 424.68	$ 386.00	$ 38.68	$ 0.00
Diana	$ 132.00	$ 38.68	$ 660.00	$ 830.68	$ 792.00	$ 38.68	$ 0.00
Margarita	$ 2.00	$ 38.68	$ 500.00	$ 540.68	$ 502.00	$ 38.68	$ (0.00)
Sandra		$ 38.68	$ 391.00	$ 429.68	$ 410.00	$ 38.68	$ (19.00)
							$ 786.68
							ETB

128

Portability - Out

129

Initial And Receiving PHA's

INITIAL PHA

- Where tenant originates
- Where the tenant ports out of

RECEIVING PHA

- Where tenant moves to

130

Portability – Initial PHA

- Will include tenant on their leasing as a unit being leased
- Pays a "true" HAP/UAP expense to the Receiving PHA
- Pays part of an Admin fee to the Receiving PHA (see next slide)
- Still remains part of the Initial PHA's leasing
- Admin. fee that is paid is recorded as a General Expense
- HAP is reported as HAP expense

131

Portability – Initial PHA

- The Initial PHA must pay the Receiving PHA the lesser of 80% of the Initial PHA's "B" administrative fee or 100% of the Receiving PHA's "B" administrative fee
- The Initial PHA always gets to keep a percentage of administrative fee revenue and the Receiving PHA never gets more then their actual fee
  - Remember to back out proration!

132

Portability Out – Accounting Entries

Account	Description	Amount
4715	HAP	$600
4590	General expense	60
1111.1	Cash (Restricted - HAP & Unrestricted - Admin)	$(660)

- The HAP portion is paid to the Receiving PHA (Restricted)
- 80% of the B Rate Admin Fee (less proration) is paid to the Receiving PHA (Unrestricted)

133

Portability

- The HAP portion we are paying out for the Portable payment will be a Port-Out, considered typical HAP expense for tracking restricted funds

134

Accounting Entries For Fraud Recovery & Portability Step 1

Account	Description	Amount
1129	A/R fraud recovery	$1,000
3690.Admin	Fraud recovery admin portion	(1,000)

Receiving PHA recognizes fraud amount on general ledger

135

Accounting Entries For Fraud Recovery & Portability Step 2

Account	Description	Amount
1111.1	Cash unrestricted	$1,000
1129	A/R fraud recovery	(1,000)
Receiving PHA collects the cash for Fraud		

136

Accounting Entries For Fraud Recovery & Portability Step 3

Account	Description	Amount
4590	General expense	$500
1111.1	Cash unrestricted	(500)
Receiving sends Initial PHA ½ of collections		

137

Family Self-Sufficiency

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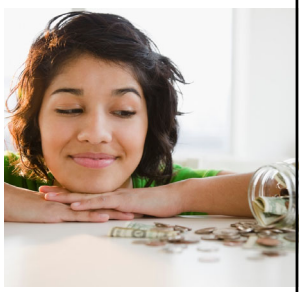
The FSS Program

- The Family Self-Sufficiency (FSS) program is intended to promote the development of local strategies for coordinating the use of housing choice vouchers with public and private resources to help eligible families achieve economic independence



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The FSS Program

- FSS is open to families in the HCV program who are un- or under-employed
- The objective is to assist these families in obtaining employment that will allow them to become self-sufficient, that is, not dependent on welfare assistance

140

The FSS Program

EXAMPLE

AT CONTRACT SIGNING: No employment income. Contract Rent is $500

Total Tenant Payment $100 → To Landlord

PHA Subsidy $400 → To Landlord

To Landlord
$100
$400
$500 Contract Rent

AT FIRST REEXAMINATION: Employment income increases TTP to $300. Contract Rent is still $500.

Total Tenant Payment $300 → To Landlord

PHA Subsidy $400 → To Landlord; → $200 To Escrow

To Landlord
$300
$200
$500 Contract Rent

$200
To Escrow

141

FSS - Accounting Entries

Account	Description	Amount
4715.2	FSS HAP (made out to PHA)	$200
1111.3	Cash restricted	(200)
To record FSS HAP for K. Richards.		
1111.6	FSS Cash restricted	$200
2119.1	FSS liability	(200)
To record payment of FSS cash and record liability		

142

FSS Program Forfeiture – Accounting Entries

Effective June 16, 2022

Account	Description	Amount
2119.1	FSS liability	$200
1111.3	Cash FSS - restricted	(200)
To record FSS Forfeiture		
1111.3	Cash restricted	$200
3690	Other income	(200)
Cash deposited on 14.EFA fund		

143

Equity (Net Position)

144

Restricted Net Position

- The difference between an entity's assets, deferred outflows and its liabilities and deferred inflows, which do not meet the definition of invested in capital assets, but are constrained in use by either:
  - Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulation of other governments
  - Imposed by law through constitutional provisions or enabling legislation
  - **HAP (Excess HAP funds held by PHA)**

145

Income Items

146

Recording HUD Subsidy

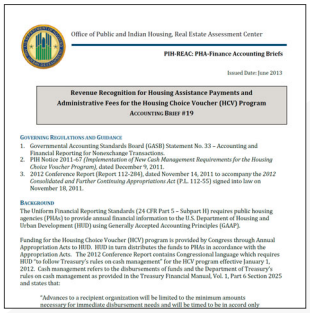
- The PHA will receive funding for Administrative fees (unrestricted) and HAP (restricted)
- HAP Funding and administrative fee funding can be in the same bank account, but must be tracked separately in the G/L

Account	Description	Amount
Dr. 1111.1	Cash (Restricted & Unrestricted)	$100,000
Cr. 8020	HAP funding	90,000
Cr 8020.1	Admin funding	10,000
Record monthly subsidy		

147

Restricted Interest Income

- All interest income earned on RNP over $500 will be credited to Accounts Payable HUD and reported on FDS Line 331
  - No longer part of RNP
  - Interest income of $500 and less can be retained by the PHA as unrestricted interest income



Office of Public and Indian Housing, Real Estate Assessment Center

PIH-REAC: PHA-Finance Accounting Briefs

Issued Date: June 2013

Revenue Recognition for Housing Assistance Payments and Administrative Fees for the Housing Choice Voucher (HCV) Program
Accounting Brief #19

Governing Regulations and Guidance

1. Governmental Accounting Standards Board (GASB) Statement No. 33 – Accounting and Financial Reporting for Nonexchange Transactions.
2. PIH Notice 2011-67 *(Implementation of New Cash Management Requirements for the Housing Choice Voucher Program)*, dated December 9, 2011.
3. 2012 Conference Report (Report 112-284), dated November 14, 2011 to accompany the *2012 Consolidated and Further Continuing Appropriations Act* (P.L. 112-55) signed into law on November 18, 2011.

Background

The Uniform Financial Reporting Standards (24 CFR Part 5 – Subpart H) requires public housing agencies (PHAs) to provide annual financial information to the U.S. Department of Housing and Urban Development (HUD) using Generally Accepted Accounting Principles (GAAP).

Funding for the Housing Choice Voucher (HCV) program is provided by Congress through Annual Appropriation Acts to HUD. HUD in turn distributes the funds to PHAs in accordance with the Appropriation Acts. The 2012 Conference Report contains Congressional language which requires HUD "to follow Treasury's rules on cash management" for the HCV program effective January 1, 2012. Cash management refers to the disbursements of funds and the Department of Treasury's rules on cash management as provided in the Treasury Financial Manual, Vol. 1, Part 6 Section 2025 and states that:

"Advances to a recipient organization will be limited to the minimum amounts necessary for immediate disbursement needs and will be timed to be in accord only

148

Interest Income – VMS vs FDS

Restricted Interest Income

- PHA will never report restricted interest income on the FDS
- First $500 of restricted interest income is considered un-restricted. Anything over $500 of restricted income is considered A/P HUD
- For VMS purposes report all restricted interest income on the VMS

Un-restricted Interest Income

- This account will report interest income on Admin Fee reserves and the first $500 of interest earned on HAP reserves (restricted)
- For VMS purposes, your unrestricted interest income is part of the UNP calculation

149

Capital Fund

Accounting For The Capital Fund

150

What Is a Budget Line Item?

- CFP work items need to be matched with account numbers on the 5YAP and the Annual Statement/ Budget
- The accounting codes are called Budget Line Items (BLIs)

151

Commonly Used BLIs

Capital Fund Activity	BLI
Transfer to operations	1406
Management improvements	1408
Economic self-sufficiency (soft-costs)	1408
Administrative costs (non-fee for service PHAs)	1410
Capital fund program fee	1410
Audit	1411 (1480)
Fees and costs, legal	1430 (1480)
Financing costs	1430 (1480)
Homeownership	Associated Activity
Force account labor	Associated Activity
Safety and security	Associated Activity
Economic self-sufficiency (capital expenditure)	Associated Activity

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Commonly Used BLIs

Capital Fund Activity	BLI
Physical needs assessment and Energy audit	1430 (1480)
Site acquisition	1440 (1480)
Site improvement	1450 (1480)
Dwelling structure	1460 (1480)
Dwelling equipment, non-expendable	1465 (1480)
Non-dwelling structures	1470 (1480)
Non-dwelling equipment	1475 (1480)
Demolition	1485 (1480)
Resident relocation and mobility counseling	1495 (1480)
Development	1499 (1480)
CFFP debt service payments	1501 and 9000's
RAD	1503 and 1504

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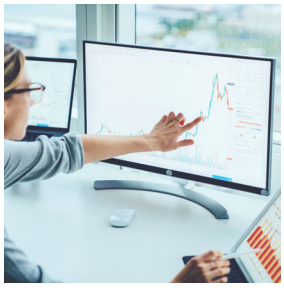
Accounting for the Capital Fund

- How do PHAs account for CFP?
  - Separate trial balances by year
  - Combined with each AMP
  - Cumulative data for life of grant
  - One combined trial for all grants
- What GL entries are made?
  - Typically, all PHAs record the receipt of cash from ELOCCs or bank recs would not work
  - Inquire to what expenses were used as support for the drawdowns
  - Determine how those expenses recorded based on check numbers



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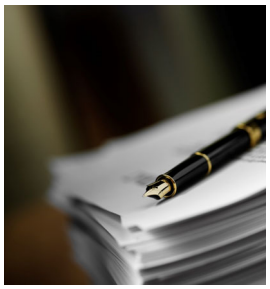
Hard and Soft Costs

- Hard costs
  - Non-operating activity
  - Purchase of equipment
  - Modernization work
  - Meet the capitalization threshold
  - Grant revenue reported on **FDS Line 70610** Capital Grants
- Soft costs
  - Support project operations
  - Below capitalization threshold
  - Grant revenue reported on **FDS Line 70600** Operating Grants
- Hard and soft costs typically correspond with certain BLIs but, threshold dictates ultimate classification

155

Transfer to Operations - 1406

- PHA < 250 Units - up to 100% of CFP
- PHA ≥ 250 Units - up to 20% of CFP
  - Effective for CFP Grants 2015 and forward - 25%
- Eligible for any Operating Costs
- Transfer to specific AMP
  - Considered Other Income at the AMP
- Transfers prohibited to COCC



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Accounting For BLI 1406

Drawdown of 1406 Money

CFP Trial Balance:

1406 Operating Funds	100,000	Remain on Balance Sheet
1406.1 Operating Funds Contra	(100,000)	Remain on Balance Sheet
1000-020 Transfers Out	100,000	Close Out Each Year, Client May Not Record
70600 Grant Revenue	(100,000)	Close Out Each Year, Client May Not Record

LIPH Trial Balance:

111 Cash Unrestricted	100,000	Remain on Balance Sheet
1000-010 Transfers In	(100,000)	Close Out Each Year

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Management Improvements -1408

- Maximum budget amount is 10%
  - Was reduced from 20% to 10% over a five-year period
- Limited to AMP use only
  - Exception if High Performer or HUD Approval
- PHAs will be allowed to charge certain shared functions to the COCC
  - Must be proven major uses will be for AMP
  - Item must be reasonable and necessary to fulfill responsibilities of frontline costs

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Management Improvements

- Non-capital activities that are project-specific or PHA-wide improvements needed:
  - To upgrade or improve the operation or maintenance of the PHA's projects
  - To promote energy conservation, to sustain physical improvements at those projects or
  - To correct management deficiencies

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Accounting For BLI 1408

Drawdown of 1408 Money

CFP Trial Balance:		
1408 Mgmt Imp	6,000	Remain on Balance Sheet
1408.1 Mgmt Imp Contra	(6,000)	Remain on Balance Sheet
1000-020 Transfers Out	6,000	Close Out Each Year, Client May Not Record
70600 Grant Revenue	(6,000)	Close Out Each Year, Client May Not Record
LIPH Trial Balance:		
111 Cash Unrestricted	6,000	Remain on Balance Sheet
1000-010 Transfers In	(6,000)	Close Out Each Year
942000 Operating Expense	6,000	Close Out Each Year
111 Cash Unrestricted	(6,000)	Remain on Balance Sheet

160

Administrative Costs – BLI 1410

- Maximum budget amount is 10%
- Administrative costs necessary for the planning, design, implementation and monitoring of the physical and management improvements are eligible costs

161

Administrative Costs – BLI 1410

- The salaries and benefits of non-technical and technical PHA personnel assigned full-time or part-time to modernization are eligible costs only where the scope and volume of the work are beyond that which could be reasonably expected to be accomplished by such personnel in the performance of their non-modernization duties
- A PHA shall properly apportion to the appropriate program budget any direct charges for the salaries of assigned full- or part-time staff
  - Consider the Allocation Method

162

Accounting for BLI 1410 – With COCC

Drawdown of 1410 Money

CFP Trial Balance:

1410 Admin	25,000	Remain on Balance Sheet
1410.1 Admin Contra	(25,000)	Remain on Balance Sheet
913000 Mgmt Fee Expense	25,000	Close Out Each Year, Client May Not Record
70600 Grant Revenue	(25,000)	Close Out Each Year, Client May Not Record

COCC Trial Balance:

111 Cash Unrestricted	25,000	Remain on Balance Sheet
707100 Mgmt Fee Income	(25,000)	Close Out Each Year

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Accounting for BLI 1410 – No COCC

Drawdown of 1410 Money

CFP Trial Balance:

1410 Admin	25,000	Remain on Balance Sheet
1410.1 Admin Contra	(25,000)	Remain on Balance Sheet
91100/91500-Admin Sal and Benefits	25,000	Close Out Each Year, Client May Not Record
70600 Grant Revenue	(25,000)	Close Out Each Year, Client May Not Record

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OPEB

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Other Post Employment Benefits

- **GASB 45 created accounting for what is defined as "Other Post Employment Benefits" (OPEB)**
  - This includes any liabilities Other than Pension Liabilities
  - Life Insurance and Health Care Benefits
- **GASB 75 replaced GASB 45**
  - Improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions.
  - Improves information provided by state and local governmental employers about financial support for OPEB that is provide by other entities
- **GASB 75 also replaced:**
  - GASB 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,
  - GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

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GASB 75 Requirements

- Report Unfunded Actuarial Accrued Liability
  - Previously only reported net OPEB obligation
- Determine if benefits are underfunded and effect of long term cash flow demands
- Valuations done every two years for every PHA

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GASB 75 Requirements

- OPEB cost incurred is a complex calculation that must be done by an actuary
- Valuation is based on several assumptions and factors including:
  - Employees at a government that are expected to have that will receive benefits
  - How long employees are expected to work for the government
  - How long employees are expected to live after retiring/how many years they will receive benefits
  - Expected increase in healthcare costs
  - A return a government is expected to receive on its investments
  - Net present value of future expenditures

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GASB 75 Requirements

- GASB 75
  - Under GASB 75 the entire liability is reported. Based on the previous example the liability would be the full $300,000
  - This $300,000 liability would be reduced by the current calculated value of any investments set aside to cover this
  - If the PHA set aside $8,000/year they would have $24K in assets (3 years) and $300K in future liabilities. This creates a $276K OPEB liability
- Year End Calculation
  - GASB 75 reports are going to recalculate the beginning liability based on these new rules
  - Using the previous amounts discussed the liability is $276K

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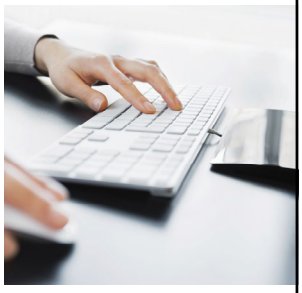
Annual Accounting & Reporting

- The Annual Required Contribution and Actuarial Accrued Liability (the ARC and AAL) must be shown on the FDS and Financial Statements of Housing Authorities
  - The AAL is shown on FDS Line 357 Accrued Pension and OPEB Liabilities
  - The ARC is shown in employee benefit expense accounts 915, 923, 937, 945, 955



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Key Takeaways

- OPEB calculations are done by Actuaries, not auditors, fee accountants, or internal staff
- An auditor will issue a finding if reports are not updated every 2 years
- Generally, there is NOT an OPEB Other Asset to report because agencies do not overfund or issue cash to retirement plans in excess of required amounts
- The OPEB liability may increase, decrease, or stay the same from year to year depending on how much it is funded by the agency

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Pensions

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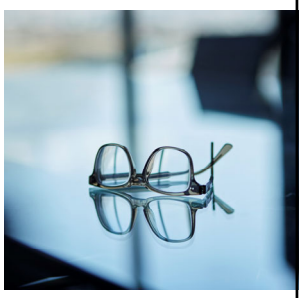
What is GASB 68?

- GASB Statement 68: Accounting & Financial Reporting for Pensions
  - Revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits
  - Replaces GASB 27, Accounting for Pensions by State and Local Governmental Employers and GASB 50, Pension Disclosures



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GASB 68 Requirements

- Report annual Pension Costs incurred based on PHA's % of Pension Expense of the Plan
- Report Accrued Pension Liabilities based on PHA's % of Pension Liability of the Plan
- Recognize expenses during the years the employees are providing services
- Determine if benefits are underfunded based on the Plan
- Record activity according to the Actuarial valuations of the total pension liability performed
- In order to review this information, we MUST obtain the detail of the pension plan, the plan's audited financials and more…

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Effect on Public Housing Authorities

- Balance sheets will potentially have new large liabilities and reduced Net Position
- Must be explained properly to readers
- Especially affected are PHAs contributing to a defined benefit pension plans
- For the first time ever, PHAs are required to report any under-funded pension liabilities, not just pension providers
- Now must recognize the full liability and expenses as earned instead of the contributions

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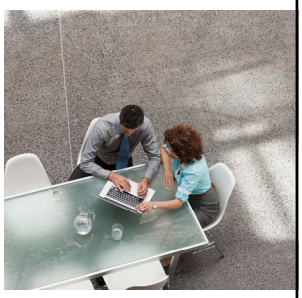
Distinguishing Pension Plans

- **Defined Contribution**
  - Individual accounts set up
  - Benefits are based on contributions + investment income earned
- **Defined Benefit**
  - Employer promises participant a specific benefit upon retirement
  - Predetermined by formula



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Net Pension Liability

- Calculation is basic
  - Pension Assets less Pension Liabilities
- The difficult portion is when it's calculated
  - Reporting Date
  - The PHA's fiscal year-ending date
- Measurement Date
  - The date as of which the Net Pension Liability is determined
- Valuation Date
  - The date the as of which the actuarial valuation is performed

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Schedule of Pension Amounts by Employer

STARS HOLLOW COST SHARING PENSION PLAN
Schedule of Pension Amounts by Employer
As of and for the year ended 6/30/2014

		Deferred Outflows of Resources					Deferred Inflows of Resources			Pension Expense		
Entity	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Employer 1	$ 45,224,820	438,856	1,569,947	1,404,206	696,428	4,108,338	356,917	–	726,428	1,083,345	1,607,283	12,378	1,919,656
Employer 2	5,661,780	54,942	196,533	175,796	94,231	511,502	44,558	–	74,326	118,884	238,777	(1,793)	236,984
Employer 3	6,795,628	65,945	235,862	211,051	117,394	630,192	53,461	–	95,465	151,946	286,566	(8,058)	278,508
Employer 4	10,169,442	98,917	353,838	316,582	181,215	950,472	80,222	–	165,453	245,675	428,994	3,021	432,015
Employer 5	13,355,038	129,927	463,564	414,968	199,845	1,207,904	105,103	–	197,845	302,748	565,229	(9,900)	555,329
Employer 6	3,043,487	29,534	105,646	94,489	53,453	283,122	23,952	–	46,453	70,405	129,356	599	129,954
Employer 7	2,051,364	19,922	69,827	61,709	33,428	185,886	15,849	–	35,453	51,302	84,836	(5,712)	79,124
Employer 8	17,697,984	169,211	592,393	520,941	246,356	1,529,901	132,040	–	294,543	416,583	707,578	8,492	716,961
Employer 9	16,777,717	163,211	582,393	520,941	246,356	1,514,501	132,040	–	294,543	416,583	707,578	8,492	716,961
Employer 10	5,641,888	54,748	195,543	175,175	95,465	521,226	44,401	–	44,356	88,757	237,938	(1,188)	236,750
Employer 11	8,512,582	82,608	295,460	264,312	138,453	778,881	66,993	–	148,543	215,536	359,005	1,294	360,299
Employer 12	3,499,761	33,962	121,465	108,686	52,145	316,258	27,543	–	64,354	91,897	147,597	453	148,050
Employer 13	1,443,418	14,007	50,104	44,818	23,156	132,085	11,360	–	33,453	44,813	60,674	(225)	60,669
Employer 14	131,795	1,279	4,575	4,092	1,995	11,916	1,037	–	594	1,631	5,558	147	5,705
Employer 15	44,757	434	1,554	1,390	1,456	4,834	352	–	594	1,050	1,888	7	1,895
Total for All Entities	$ 124,325,432	1,206,453	4,315,618	3,990,253	1,939,406	11,321,730	979,435	–	1,609,406	2,917,841	5,243,245	–	5,243,245

BDO PHA FINANCE

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Deferred Inflows and Outflows - GASB 63

- Accounts are used to represent items that have impact on future cash flows
  - Different from prepaid expenses and unearned revenue in their uncertain and long-term nature
- Will need to be used for two occasions
  - Payments made after the actuarial reports have been calculated (measurement date)
  - Show actual vs expectation on actuarial calculations

BDO PHA FINANCE

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Definitions and Overview of New Lease Accounting Rules

BDO PHA FINANCE

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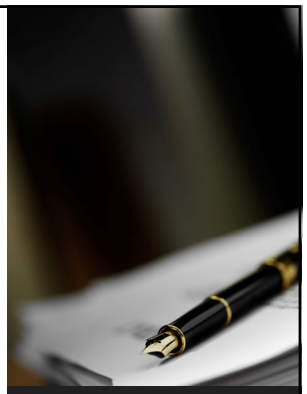
Overview: GASB 87

- Released in June 2017, this new standard will have an impact on PHAs with certain lease income and/or lease expense
- Based on the principle that leases represent financings of the "right to use" an asset
- The new standard requires significant changes from current practice, primarily in accounting for operating leases
- The new standard goes into effect for PHA fiscal years beginning on or after **January 1, 2020** – but earlier implementation encouraged
- **NEW!** June 15, 2021 due to GASB 95



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Leases Covered by GASB 87

LEASE ACCOUNTING BASICS

- GASB defines a lease as "a contract that conveys control of the right to use another entity's nonfinancial assets (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction"
- Housing Authorities - most common examples:

As Lessee (Lease Expense):	As Lessor (Lease Income):	
Office Machines	Land	Equipment
Vehicles	Buildings	Rooftop Space for Cell Towers
Other Equipment		

182 MONTH END & THE YEAR END CLOSE BDO PHA FINANCE

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Leases Not Covered by GASB 87

LEASE ACCOUNTING BASICS

- Short-Term Leases
  - The lease agreement specifies a non-cancelable term, after considering the effects of potential extensions (regardless of their likelihood of being exercised), of 12 months or less
- Leases That Transfer Ownership
  - The contract transfers ownership of the asset to the lessee by the end of the contract and cannot contain termination options. These are treated (1) as a sale of the asset by the lessor and (2) a purchase of the asset by the lessee (also known as a "capital" lease).
- In addition, because the definition includes only exchange transactions, leases that are for a nominal amount (e.g. $1/year) do not fall within the scope of the standard since they are, in substance, a non-exchange transaction

183 MONTH END & THE YEAR END CLOSE BDO PHA FINANCE

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Leases Not Covered by GASB 87

LEASE ACCOUNTING BASICS

Regulated leases (defined later) are not affected by GASB 87

This appears to include leases signed by residents / tenants in Public Housing and HCV

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Lessees

LEASE ACCOUNTING BASICS

- Should recognize a lease liability and a lease asset at the start of the lease term, assuming the lease is covered by GASB 87
- The GASB believes recognizing a liability by the lessee is appropriate given that the lessee takes possession of the underlying asset or gains access to use the underlying asset, thereby creating an obligation

The LESSOR owns an asset

that is **LEASED** to the

LESSEE who pays for it

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Lessees

LEASE ACCOUNTING BASICS

- The lease asset, representing the right to use the underlying asset rather than the asset itself, should be equal to the present value of payments under the lease.
  - The lease payable should be equal to the lease asset.
- Any payments made to the lessor at or before the start of the lease term should also be included in the lease asset value, to reflect the total cost of the asset.

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Lessees

LEASE ACCOUNTING BASICS

- The rate used to determine the present value should be the implied rate used to determine the lease payment if known, or if not known, a reasonable rate for a similar "borrowing" transaction.
- The lessee should reduce the lease liability as payments are made and recognize interest expense on the liability
- The lessee should also amortize the lease asset (an "intangible" asset) over the shorter of the lease term or the useful life of the underlying asset (straight line amortization)

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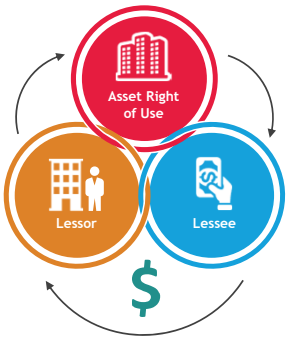
Lessees

LEASE ACCOUNTING BASICS

GASB 87 / Lease Expense

- As payments are made, the lessee should recognize interest expense on the lease payable, and expense from the amortization of the lease "right of use" asset, (an intangible asset) over the term of the lease

LESSOR VS LESSEE



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Scenario #1: PHA as Lessee

- Rainier HA is renting a copy machine from Tacoma Office Products Inc. under a 5-year lease
- Tacoma Office Products Inc., the owner/lessor, will retain ownership at end of lease (it is not a capital lease)
- $500 — The lease payment is $500 per month, for 60 months
- 5% — A reasonable interest rate, if the copy machine were to be financed with a loan, would be 5%

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Scenario #1: PHA as Lessee

- The first step is for the Rainier Housing Authority to calculate the present value of the payments to be made throughout the lease term
  - The following excel formula may be used to accomplish this task, where .05 equals the interest rate (divided by 12 because it is a monthly lease, 60 equals the number of months of the lease, and 500 equals the monthly payment (expressed as minus): **=ROUND(PV((0.05/12),60,-500,0,0),0)**
- Excel calculation of the present value of 60 payments of $500 using a discount rate (interest rate) of 5%:

$26,495.00 =ROUND(PV((0.05/12),60,-500,0,0),0)

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Scenario #1: PHA as Lessee

LEASE AMORTIZATION SCHEDULE

ENTER VALUES

Lease Payable (PV of Lease Payments	$26,495.00
Annual interest rate	5.00%
Lease period in years	5
Number of payments per year	12
Start date of lease	12/1/2019
Optional extra payments	$0.00

LEASE SUMMARY

Scheduled payment	$500.00
Scheduled number of payments	60
Actual number of payments	60
Total early payments	$0.00
Total interest	$3,504.55
LESSOR	Tacoma Office Products Inc

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
1	12/1/2019	$26,495.00	$500.00	$0.00	$500.00	$389.60	$110.40	$26,105.40	$110.40
2	1/1/2020	$26,105.40	$500.00	$0.00	$500.00	$391.23	$108.77	$25,714.17	$219.17
3	2/1/2020	$25,714.17	$500.00	$0.00	$500.00	$392.86	$107.14	$25,321.31	$326.31
4	3/1/2020	$25,321.31	$500.00	$0.00	$500.00	$394.49	$105.51	$24,926.82	$431.82
5	4/1/2020	$24,926.82	$500.00	$0.00	$500.00	$396.14	$103.86	$24,530.68	$535.68
6	5/1/2020	$24,530.68	$500.00	$0.00	$500.00	$397.79	$102.21	$24,132.89	$637.89
7	6/1/2020	$24,132.89	$500.00	$0.00	$500.00	$399.45	$100.55	$23,733.44	$738.44
8	7/1/2020	$23,733.44	$500.00	$0.00	$500.00	$401.11	$98.89	$23,332.33	$837.33
9	8/1/2020	$23,332.33	$500.00	$0.00	$500.00	$402.78	$97.22	$22,929.55	$934.55
10	9/1/2020	$22,929.55	$500.00	$0.00	$500.00	$404.46	$95.54	$22,525.09	$1,030.09
11	10/1/2020	$22,525.09	$500.00	$0.00	$500.00	$406.15	$93.85	$22,118.94	$1,123.94
12	11/1/2020	$22,118.94	$500.00	$0.00	$500.00	$407.84	$92.16	$21,711.11	$1,216.11

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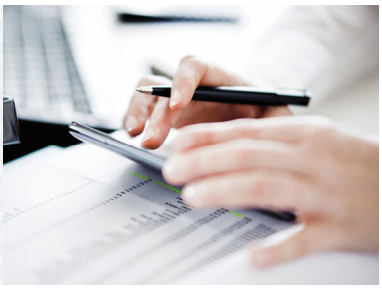
Scenario #1: PHA as Lessee

Lease Right of Use Asset Amortization Amorized over life of lease (60 months)		
Initial Balance		**$26,495.00**
12/1/2019	$441.58	$26,053.42
1/1/2020	$441.58	$25,611.83
2/1/2020	$441.58	$25,170.25
3/1/2020	$441.58	$24,728.67
4/1/2020	$441.58	$24,287.08
5/1/2020	$441.58	$23,845.50
6/1/2020	$441.58	$23,403.92
7/1/2020	$441.58	$22,962.33
8/1/2020	$441.58	$22,520.75
9/1/2020	$441.58	$22,079.17
10/1/2020	$441.58	$21,637.58
11/1/2020	$441.58	$21,196.00
12/1/2020	$441.58	$20,754.42
1/1/2021	$441.58	$20,312.83
2/1/2021	$441.58	$19,871.25
3/1/2021	$441.58	$19,429.67



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Scenario #1: PHA as Lessee

DESCRIPTION	FDS#	DR.	CR.
Lease "Right of Use" Asset	Fixed Asset	$26,495.00	
Lease Payable (current and noncurrent)	345/353		$26,495.00
To record lease asset & lease payable			
Lease Payable (current and noncurrent)	345/353	$389.60	
Interest Expense	96720	$110.40	
Cash	111		$500.00
To record 12/1/2019 Lease Payment			
Lease Amortization Expense	96200	$441.58	
Lease "Right of Use" Asset	174		$441.58
Amortize Lease Asset ($26,495/60mos)			

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Scenario #1: PHA as Lessee – Implementing GASB 87 for lease that is already in progress

- What if the PHA has a 6/30 fiscal year, and implemented GASB 87 as of 7/1/2020?
  - In that case the initial entry is booked as of 7/1/2020, No PPA, recorded at PV using months remaining
- The remaining entries (the monthly lease payments and monthly amortization) would remain the same

DESCRIPTION	FDS#	DR.	CR.
Lease "Right of Use" Asset (6/30/2020 balance per amortization schedule)	Fixed Asset	$23,403.93	
Lease Payable (6/30/2020 balance per lease amortization schedule)	345/353		$23,403.93
To record lease asset & lease payable			

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Scenario #1: PHA as Lessee – one year option to extend is exercised

- What if the lease term is extended beyond the lease term was originally anticipated?
  - In this example we will assume that the 5 year (60 month) lease contract includes language with options for the lessee to extend 1 year at a time, up to an additional 5 years
  - The PHA originally assumed that no options would be exercised and that the lease would be for a 60 month term only – and that was the term they used to implement GASB 87 for this lease as shown on the previous slides
  - Let's assume that the PHA decided to exercise the first one year extension before replacing the copier
- Remember – if the lease automatically renews but may be terminated by either party to the lease (lessee and/or the lessor), that is not considered an extension and no entry is necessary, as the lease term has ended
- Note: the PHA could have set the lease term as long as 120 months, because there were option years included in the lease, if the PHA believed it might exercise those options

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Scenario #1: PHA as Lessee – lease extension

- Lessee exercises an option to extend the lease one year beyond the initial term:
  - Unfortunately, in that case the lease payable balance has to be recalculated using the longer lease term.
  - A new amortization schedule would need to be produced starting with (1) the current balance on the Lease Amortization, and (2) the new number of remaining payments.
  - The Lease Payable and Right of Use Asset would need to be revised
- The Lease Asset Amortization Schedule would also need to redone. The monthly amortization expense would change to add on the $5,000 divided by the new number of remaining months in the lease term

DESCRIPTION	FDS #	DR.	CR.
Right of Use Asset	174	$5,000	
Lease Payable	345/353		$5,000
To record the increase in the lease payable: one year lease extension			

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Scenario #1: Lease ends earlier than anticipated

- What if the PHA assumed a 7 year term when it implemented GASB 87 (which in our example would be the 5 year (60 month) initial noncancelable term, plus two additional 1 year (12 month) extensions, but at the end of the 6th year the PHA elects to end the lease
- In this case, the balances at the end of year 6 would be removed and the difference charged to expense or credited to income

=ROUND(PV((0.05/12),84,-500,0,0),0)		$35,376.00
Lease Right of Use Asset Amortization		
Amorized over life of lease (84 months)		
11/1/2025	$421.14	$5,053.71
12/1/2025	$421.14	$4,632.57
1/1/2026	$421.14	$4,211.43
2/1/2026	$421.14	$3,790.29
3/1/2026	$421.14	$3,369.14
4/1/2026	$421.14	$2,948.00
5/1/2026	$421.14	$2,526.86
6/1/2026	$421.14	$2,105.71
7/1/2026	$421.14	$1,684.57
8/1/2026	$421.14	$1,263.43
9/1/2026	$421.14	$842.29
10/1/2026	$421.14	$421.14
11/1/2026	$421.14	$0.00

LEASE AMORTIZATION SCHEDULE

ENTER VALUES	
Lease amount	$35,376.00
Annual interest rate	5.00%
Lease period in years	7
Number of payments per year	12
Start date of lease	12/1/2019
Optional extra payments	$0.00

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT
72	11/1/2025	$6,314.41	$500.00
73	12/1/2025	$5,840.72	$500.00
74	1/1/2026	$5,365.06	$500.00
75	2/1/2026	$4,887.41	$500.00
76	3/1/2026	$4,407.78	$500.00
77	4/1/2026	$3,926.14	$500.00
78	5/1/2026	$3,442.50	$500.00
79	6/1/2026	$2,956.85	$500.00
80	7/1/2026	$2,469.17	$500.00
81	8/1/2026	$1,979.45	$500.00
82	9/1/2026	$1,487.70	$500.00
83	10/1/2026	$993.90	$500.00
84	11/1/2026	$498.04	$500.00

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Scenario #1: Lease ends earlier than anticipated

- Recommendation: as you will see below, it is easier to record a lease that ends earlier than anticipated, than to record a lease that is extended longer than anticipated e.g. slides 28 & 29
- Try not to underestimate the lease term, include any option periods that you think could possibly be used to avoid having to re-do all of the GASB 87 calculations as shown on the previous slides

DESCRIPTION	FDS#	DR.	CR.
Lease "Right of Use" Asset (11/30/2025 balance per amortization schedule)	174		$5,053.71
Lease Payable (11/30/2025 balance per lease amortization schedule)	345/353	$5,840.18	
Other Income	71500		$786.47
To record termination of lease before end of originally anticipated lease term			

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Lessors

LEASE ACCOUNTING BASICS

- Lessors account for lease transactions covered by GASB 87 in ways that somewhat mirror how lessees account for it
- A lessor generally should (1) recognize a lease receivable which is calculated based upon the present value of future lease payments during the least term, and (2) a deferred inflow of resources equal to the lease receivable at the start of the least term

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Lessors

LEASE ACCOUNTING BASICS

- Lessors should not derecognize the asset underlying the lease
  - The asset should remain on the Balance Sheet
- The lease receivable is amortized as payments are received, reducing the balance with each payment received, and with interest income recognized on the balance as if it were a note receivable
- The deferred inflow of resources should be amortized over shorter of the lease term or the remaining useful life of the asset

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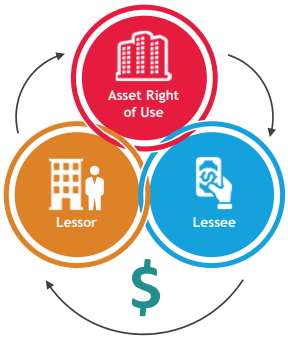
Lessors

LEASE ACCOUNTING BASICS

GASB 87 / Lease Revenue

- As payments are received, the lessor should recognize interest revenue on the lease receivable, and revenue from the amortization of the deferred inflows of resources over the term of the lease

LESSOR VS LESSEE



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Regulated Leases Do Not Follow GASB 87

Lessors should simply recognize revenue as payments are received, based on the payment provisions of the lease contract, and also make footnote disclosures as required, for "regulated leases" (leases meeting the following requirements):

- Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator;
- Lease rates should be similar for lessees that are similarly situated;
- The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions

Do PHAs have Lease Income that meet these criteria?

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Scenario #2: PHA as Lessor

LEASE AMORTIZATION SCHEDULE

ENTER VALUES

Lease amount	$158,972.00
Annual interest rate	5.00%
Lease period in years	5
Number of payments per year	12
Start date of lease	12/1/2019
Optional extra payments	$0.00

LEASE SUMMARY

Scheduled payment	$3,000.00
Scheduled number of payments	60
Actual number of payments	60
Total early payments	$0.00
Total interest	$21,027.87
LESSOR NAME	Whitney Housing Authority

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
1	12/1/2019	$158,972.00	$3,000.00	$0.00	$3,000.00	$2,337.61	$662.38	$156,634.39	$662.38
2	1/1/2020	$156,634.39	$3,000.00	$0.00	$3,000.00	$2,347.35	$652.64	$154,287.03	$1,315.03
3	2/1/2020	$154,287.03	$3,000.00	$0.00	$3,000.00	$2,357.14	$642.86	$151,929.90	$1,957.89
4	3/1/2020	$151,929.90	$3,000.00	$0.00	$3,000.00	$2,366.96	$633.04	$149,562.94	$2,590.93
5	4/1/2020	$149,562.94	$3,000.00	$0.00	$3,000.00	$2,376.82	$623.18	$147,186.12	$3,214.11
6	5/1/2020	$147,186.12	$3,000.00	$0.00	$3,000.00	$2,386.72	$613.28	$144,799.40	$3,827.38
7	6/1/2020	$144,799.40	$3,000.00	$0.00	$3,000.00	$2,396.67	$603.33	$142,402.73	$4,430.72
8	7/1/2020	$142,402.73	$3,000.00	$0.00	$3,000.00	$2,406.65	$593.34	$139,996.08	$5,024.06
9	8/1/2020	$139,996.08	$3,000.00	$0.00	$3,000.00	$2,416.68	$583.32	$137,579.40	$5,607.38
10	9/1/2020	$137,579.40	$3,000.00	$0.00	$3,000.00	$2,426.75	$573.25	$135,152.65	$6,180.62
11	10/1/2020	$135,152.65	$3,000.00	$0.00	$3,000.00	$2,436.86	$563.14	$132,715.79	$6,743.76
12	11/1/2020	$132,715.79	$3,000.00	$0.00	$3,000.00	$2,447.02	$552.98	$130,268.77	$7,296.74

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Scenario #2: PHA as Lessor

Deferred Inflow - Lease Receivable Amorized over life of lease (60 months)		
Initial Balance		**$158,972.00**
12/1/2019	$2,649.53	$156,322.47
1/1/2020	$2,649.53	$153,672.93
2/1/2020	$2,649.53	$151,023.40
3/1/2020	$2,649.53	$148,373.87
4/1/2020	$2,649.53	$145,724.33
5/1/2020	$2,649.53	$143,074.80
6/1/2020	$2,649.53	$140,425.27
7/1/2020	$2,649.53	$137,775.73
8/1/2020	$2,649.53	$135,126.20
9/1/2020	$2,649.53	$132,476.67
10/1/2020	$2,649.53	$129,827.13
11/1/2020	$2,649.53	$127,177.60
12/1/2020	$2,649.53	$124,528.07

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Scenario #2: PHA as Lessor

DESCRIPTION	FDS #	DR.	CR.
Lease Receivable (current/noncurrent)	125/174	$158,972.00	
Deferred Inflow (Balance Sheet Item)	400		$158,972.00
To record initial lease balances			
Cash	111	$3,000.00	
Lease Receivable (current/noncurrent)	125/174		$2,337.62
Interest Income	71100		$662.38
12/1/2019 Lease Payment received			
Deferred Inflow - Lease Receivable	400	$2,649.53	
Lease Revenue	71500		$2,649.53
Amortization income ($158,972/60mos)			

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Scenario #2: PHA as Lessor

- What if the PHA has a 6/30 fiscal year, and implemented GASB 87 as of 7/1/2020?
  - In that case the initial entry is booked as of 7/1/2020, with no PPA and based on PV based on months remaining
- The remaining entries (the monthly lease payments and monthly amortization) would remain the same

DESCRIPTION	FDS #	DR.	CR.
Lease Receivable (6/30/2020 balance per amortization schedule)	125/174	$142,402.73	
Deferred Inflow (6/30/2020 balance per lease amortization schedule)	400		$142,402.73
To record lease receivable & deferred inflow as of 7/1/2020			

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Scenario #2: PHA as Lessor

- What if the lease term is extended?
  - Unfortunately, in that case the lease receivable balance has to be recalculated using the longer lease term.
  - A new amortization schedule would need to be produced starting with (1) the current balance on the Lease Amortization, and (2) the new number of remaining payments.
  - The Lease Receivable and Deferred Inflow would need to be revised.
- The Deferred Inflow Amortization Schedule would also need to redone.
  - The monthly amortization expense would change to add on the $30,000 divided by the new number of remaining months in the lease term.

DESCRIPTION		Dr	Cr
Lease Receivable	125/174	$30,000	
Deferred Inflow	400		$30,000
To record the increase in the lease receivable: one year lease extension			

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Questions?

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