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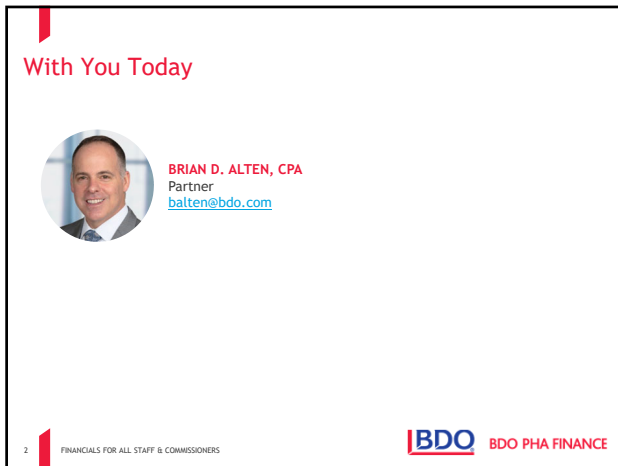
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## We Are Being Watched

- ▶ We are scrutinized by
  - HUD
  - State and local officials
  - Tax-payers
- ▶ What really is a Public Housing Authority (PHA)?
  - Housing Act of 1937
  - A real estate management and development company
  - Owners of real estate
  - ACC



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## Fiduciary Responsibilities

Overseeing	Reviewing & Approving	Tracking	Reviewing	Tracking	Paying
Overseeing the PHA's financial operations & maintaining its financial health	Reviewing & approving budgets	Tracking spending funds appropriately	Reviewing, monthly, year-end financial statements & audits	Tracking PH operating reserve and Section 8 administrative fee reserves, HAP reserves and timely draws of capital funds	Paying bills on time and timely expenditure of grant funding

A fiduciary duty exists in law when a person or entity places trust, confidence, and reliance on another to exercise discretion or experience in acting on behalf of the PHA. The fiduciary must knowingly accept that trust and confidence.

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## Your Fiscal Period

Year End	Fiscal Period
March	April to March
June	July to June
September	October to September
December	January to December



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# What You Need to Know

- What programs does your PHA administer?
  - Public Housing
  - Capital Fund Grant
  - Housing Choice Voucher (S8)
  - Mainstream and/or EHV
  - ROSS Grant
  - Mixed Finance
  - Project Based Rental Assistance
  - Market Rate Units
  - Other programs

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# What You Need to Know

- Let's focus on the main programs for each Authority in the limited time that we have today
  - Public Housing
  - Housing Choice Voucher
  - Grants (Capital Fund)

You can still apply the financial concepts we will learn today to other programs that your PHA administers

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# Public Housing

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## Public Housing

### HOW DOES A PHA MAKE MONEY IN YOUR PUBLIC HOUSING PROGRAM?

- ▶ The Public Housing program is similar to owning and managing an apartment building or rental houses
- ▶ Charge rents, collect rents, and receive operating subsidy
- ▶ Maintain the units, police the units, lease the units, advertise units to lease
- ▶ Consider the PHA as a real estate owners, managers and a development company
- ▶ Act of 1937 gave powers to the states to create Public Housing



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## Asset Management & The Operating Fund

AS PUBLISHED ON SEPTEMBER 19, 2005, IN FEDERAL REGISTER VOLUME 79, NO. 180

- ▶ Revision of 24 CFR 990



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## The Revised Rule Has Two Objectives

### TRANSITIONED PHAs TO ASSET MANAGEMENT

- ▶ New business model
- ▶ Modified entity wide Public Housing portfolio to AMP based portfolio
- ▶ PHAs with 400 or more public housing must transition to asset management

### NEW SUBSIDY CALCULATION

- ▶ Each AMP has their own subsidy calculation
- ▶ You will be funded based on Eligible Unit Months (EUMs)
  - Occupied units
  - HUD approved vacancies
  - Limited vacancies

Each AMP has its own budget and financial statement

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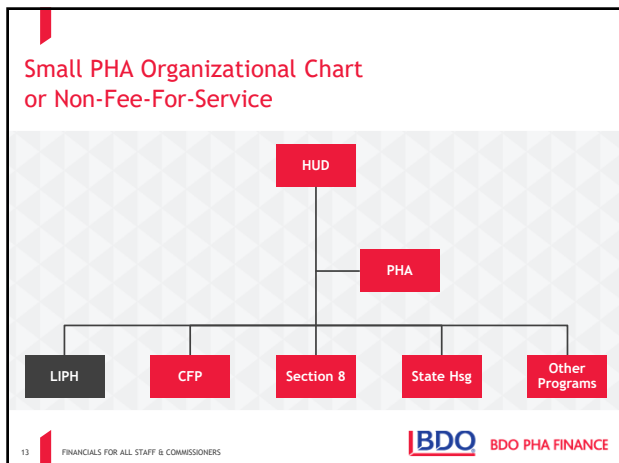
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### Characteristics of a Small PHA

- ▶ Small PHA has one AMP
  - How housing developments are grouped together
  - Each AMP has its own budget, financial statements and operating subsidy calculation
- ▶ Centralized costs are allocated
  - Cost allocation plan
  - Indirect costs are allocated to each program per the cost allocation plan
- ▶ AMP PHAS score
  - FASS, MASS, PASS



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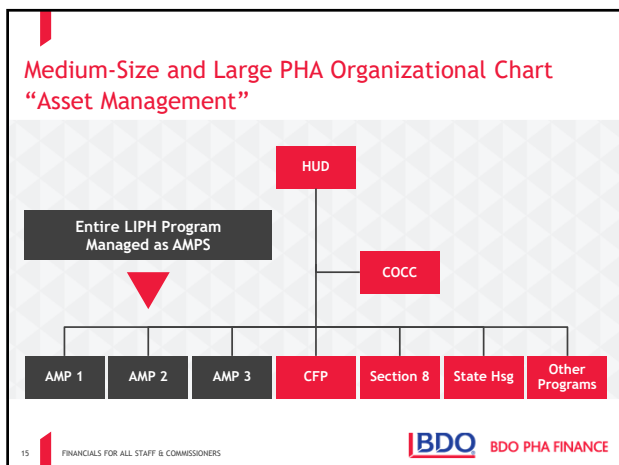
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## Characteristics of a Medium or Large Public Housing Program

- ▶ A large PHA model has a COCC, and the public housing portfolio has been divided into several AMPs
- ▶ Overhead costs are maintained in the COCC
- ▶ The COCC offsets their costs by a Fee-For-Service methodology
- ▶ The COCC is considered non-federal (program) funds



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## Housing Choice Voucher (HCV)

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## What Is HCV?

- ▶ Units owned primarily by private landlords
- ▶ PHA is typically not responsible for
  - Maintenance of units
  - Marketing units
  - Security of units
- But PHA will inspect units to meet physical standards (HQS)



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## How Does a PHA Make Money Administering the HCV Program?

- ▶ An applicant will be pulled from the waiting list
- ▶ If the applicant is eligible, they will be given a Voucher for rental assistance (HAP)
  - Based on the tenant's income, their portion of the rent is calculated
  - They just have permission to go look for a unit and the PHA will provide rental assistance
  - Landlord will receive either one or two checks
- ▶ Every unit that is underlease, a HAP contract in place, on the first day of the month, the PHA will earn an administrative fee
  - Admin fee amount is determined by geographic location
  - The administrative fee revenue will pay for day-to-day costs of the PHA

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## Two Types of Funding

- ▶ The majority of the HCV program money passes through the PHA as HAP
  - It has a specific use (HAP/UAP/FSS Escrow)
  - This money is **RESTRICTED**
- ▶ The other money we receive from HUD stays at the PHA for operating costs
  - We may spend this money, for day-to-day operations
  - These are our Admin Fees
  - This money is **UNRESTRICTED**



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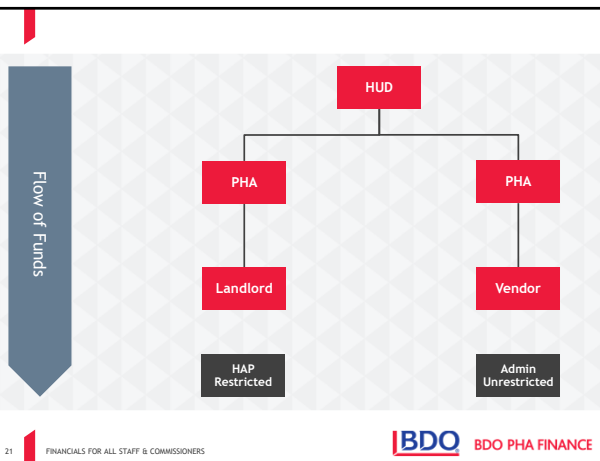
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## HCV Concepts

- ▶ Each PHA is provided a “Baseline” number of Authorized Vouchers in their ACC with a goal to lease as many unit months as possible **without** going over unit months available on a **calendar year**
  - 100 authorized units x 12 months
    - 100 units x 12 months = 1,200-unit months available
  - The PHA can be over-leased in some months and under-leased in other months with a goal to get unit months leased equal to unit months available or as close as possible on a **calendar year**
- ▶ Each PHA is providing HAP funding based on a formula, the goal is to lease as many unit months as possible (without going over unit months available on a CY) based on HAP funding available
- ▶ For each unit under HAP contract (leased) on the first of the month, the PHA earns an administrative fee to pay for day-to-day expenses

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## HCV Concepts

- ▶ Since the PHA is funded on a formula, the PHA may or may not be able to lease all of the unit months available on a calendar year
  - It will depend on the **average per unit cost (PUC) of HAP**
    - The higher the PUC of HAP, the less amount of unit months a PHA can lease
    - The lower the PUC of HAP, the more unit months a PHA can lease



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## Capital Fund

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## Some Basic Rules

- ▶ Grant is received every year
  - 2 years to obligate
  - 4 years to expend
- ▶ The CFP is a reimbursement type grant
  - Every expenditure will have corresponding revenue
- ▶ Revenues will equal expenditures
- ▶ Grant used for LIPH
- ▶ Authority must report grant costs to the associated AMP that it benefits or COCC



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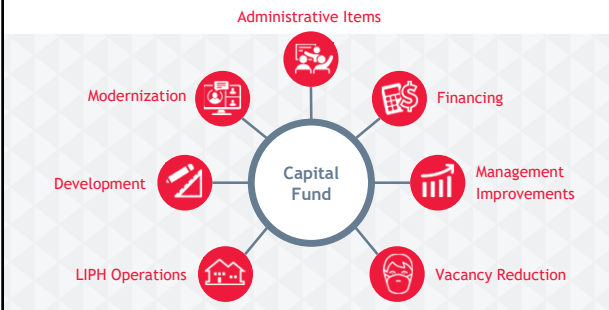
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## Capital Fund Uses



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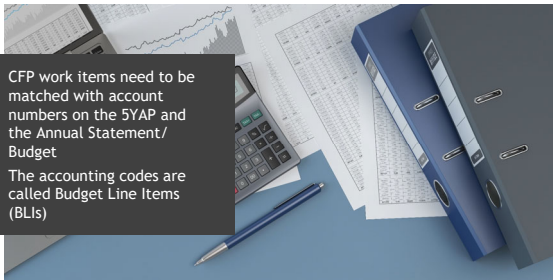
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## What Is a Budget Line Item?

- ▶ 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)



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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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Key Financial Reports

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## Who Looks at What?

STATE, GAAP AND GASB ACCOUNTING AND REPORTING REQUIREMENTS

HUD REGULATORY/ STATUTORY REPORTING REQUIREMENTS

INTERNALLY - REPORTING, BEST PRACTICES

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## State, GAAP & GASB

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## Annual Independent Audit

► This will be the PHA's annual audit. The Auditors will opine on the following items.

- Financial statements
- Internal controls
- Program compliance



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HUD

Regulatory/Statutory

Reporting

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Financial Data Schedule (FDS)

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FASS-PH System

▶ FASS-PH is responsible for assessing the financial condition of approximately 4,000 PHAs that receive HUD funds

• In addition to evaluating financial health, FASS-PH conducts various analyses to aid in the improvement of PHAs' financial health, the accuracy of the funding formulas, and provides guidance in identifying possible instances of waste, fraud, and/or abuse

▶ The Financial Data Schedule (FDS) was created to standardize the financial information reported by Public Housing Authorities (PHAs) to the Department of Housing and Urban Development (HUD) Real Estate Assessment Center (REAC)

▶ Just an income statement and balance sheet in HUD's format for all the program administered by the PHA

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### The Financial Data Schedule

- ▶ The mission of FASS-PH is to
  - Collect financial data from PHAs
  - Review, analyze, and assess the financial data collected
  - Provide technical assistance and accounting guidance
  - Develop and maintain the FASS-PH reporting system, and
  - Provide analysis and information for policy and decision-making purposes

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### Un-Audited FDS Submission

FDS	3/31	6/30	9/30	12/31
Un-audited	5/31	8/31	11/30	2/28
Grace Period - No Point Deduction				
1 Point Penalty	6/16	9/16	12/16	3/16
2nd Point Penalty	7/1	10/1	12/31	3/31
3rd Point Penalty	7/16	10/16	1/15	4/15
4th Point Penalty	7/31	10/31	1/30	4/30
5th Point Penalty	8/15	11/15	2/14	5/15
LPF	8/30	11/30	3/1	5/30

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### Audited FDS Submission

AUDIT REPORT IS DUE 9 MONTHS FOLLOWING YOUR YEAR END

FDS	3/31	6/30	9/30	12/31
Audit Due	12/31	3/31	6/30	9/30

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Public Housing Assessment System (PHAS)

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Goals of PHAS

HUD's Real Estate Assessment Center (REAC) "effectively and fairly measures the performance of a public housing agency (PHA) [in essential housing operations] using the PHAS"

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Goals of PHAs: Service Delivery & Trust

The Public Housing Assessment System (PHAS) helps the delivery of services in public housing and enhances trust in the public housing system among

Public Housing Authorities (PHAs)

HUD

Residents

General Public

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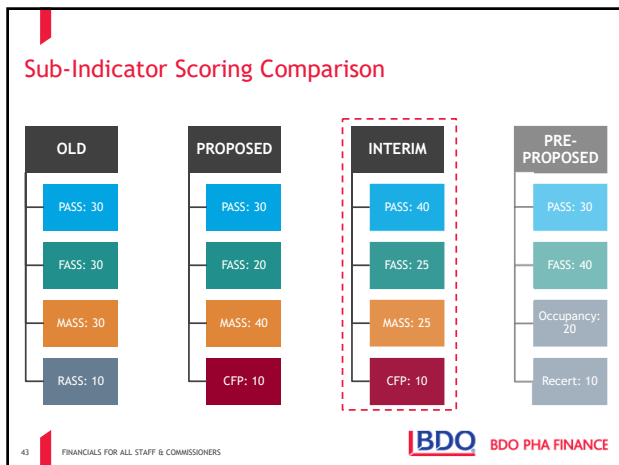
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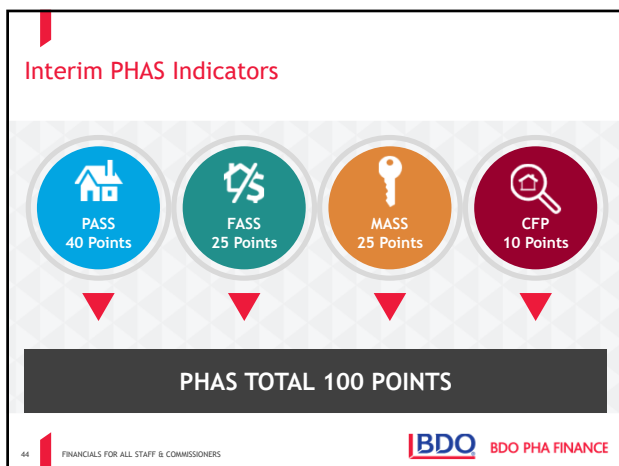
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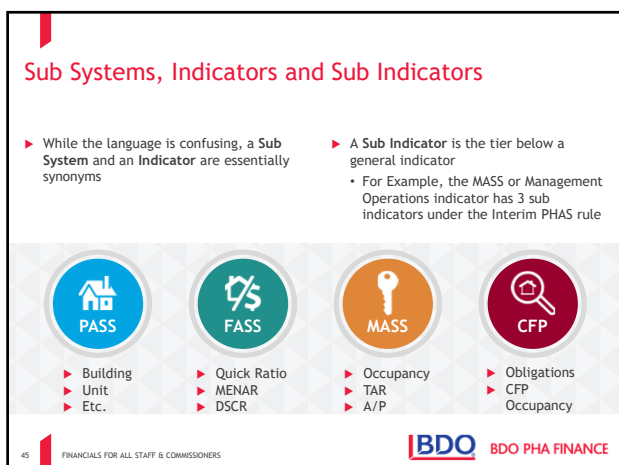
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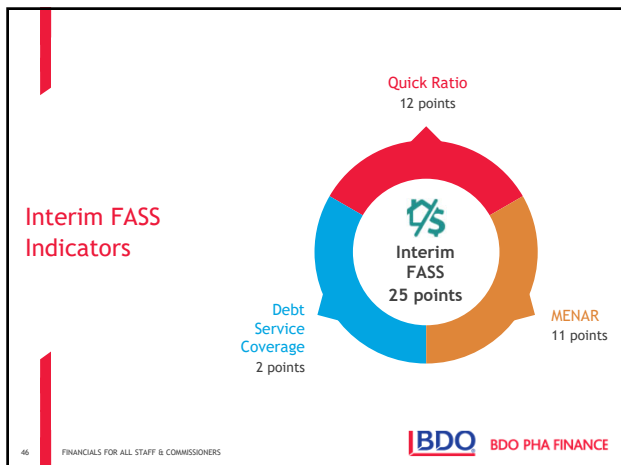
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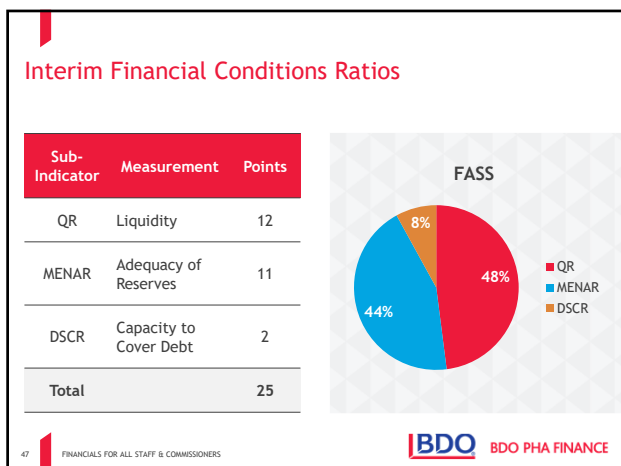
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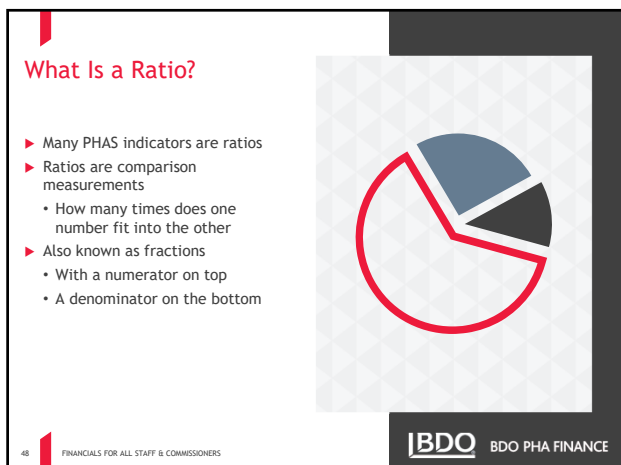
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## Different Ratios, Different Goals

- ▶ For percentages like occupancy, the goal is to get the ratio to be as close to 1/1 as possible (100%)
- ▶ Other indicator ratios have different goals
  - Like: have the top number be at least twice the bottom number

$$\frac{98}{100} = 98\%$$


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$$\frac{\$400,000}{\$200,000} = \frac{2}{1}$$

More commonly expressed as:

$$2$$

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## 1. Quick Ratio (QR)

- ▶ Liquidity
  - **Current assets** are cash and assets that are easily convertible to cash and do not include inventory
  - **Current liabilities** are those liabilities that are due within the next 12 months
- ▶ Do our current assets cover our current liabilities, (if we had to liquidate our assets to pay them)?



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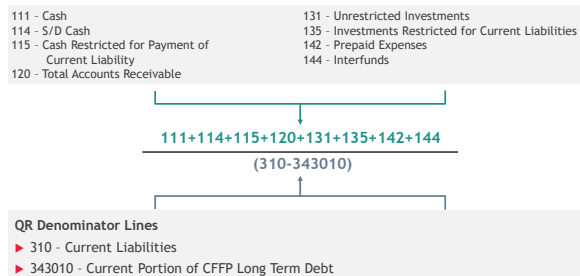
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## FDS Lines for the QR



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## How to Picture the QR Equation

Cash in hand

What the AMP owes

Cash

(111+114+115+120+131+135+142+144)

(310-343010)

Liabilities

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## QUICK RATIO

### Scoring Thresholds

The scoring below shows that agencies achieve maximum points by having at least twice as much cash (current assets) as bills to pay (current liabilities)

QR RATIO VALUE	POINTS
< 1.0	0
1.0	7.2
>1.0 but < 2.0	>7.2 but < 12.0
≥ 2	12.0

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## What About Reserves?

Typically, there are two ways reserves are measured and discussed

**DOLLARS**

Total \$ amount of reserves

**TIME PERIOD**

Amount of time (in months) that it would take for a PHA/AMP to fully expend reserve dollar amount, covering day-to-day operating expenses, (and without additional subsidy)

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## 2. Months Expendable Net Assets Ratio (MENAR)

- ▶ Adequacy of Reserves
  - Measures project's ability to operate using its net available, unrestricted resources without relying on additional funding
  - Compares net available unrestricted resources to average monthly operating expenses
- ▶ How many months can the project operate without any additional funding from HUD?



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## FDS Line Numbers for the MENAR

111 - Cash	131 - Unrestricted Investments
114 - S/D Cash	135 - Investments Restricted for Current Liabilities
115 - Cash Restricted for Payment of Current Liability	142 - Prepaid Expenses
120 - Total Accounts Receivable	144 - Interfunds
	310 - Current Liabilities

$$\frac{111+114+115+120+131+135+142+144-310}{(96900+97100+97200+97800) / 12}$$

### MENAR Denominator Lines

96900 - Operating Expenditures	97200 - Casualty Losses - Non-Capitalized
97100 - Extra-ordinary Maintenance	97800 - Dwelling Rent Unit Expense

Only includes LIPH expenses, not CFP

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## How to Picture the MENAR Equation

$$\frac{\text{Cash on hand}}{1 \text{ month of expenses}} = \frac{\text{Cash - Liabilities}}{\text{Total Operating Expenses, divided by 12, to obtain an average of one month worth of expenses}}$$

$\frac{111+114+115+120+131+135+142+144-310}{(96900+97100+97200+97800) / 12 \text{ months}}$

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## MENAR Ratio

### SCORING THRESHOLDS

The scoring below shows that agencies achieve maximum points by having at least four months worth of operating reserves aside for a rainy day

MENAR Ratio Value	Points
< 1.0	0
1.0	6.6
>1.0 but < 4.0	>6.6 but < 11.0
≥ 4	11.0

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## 3. Debt Service Coverage Ratio (DSCR)

- ▶ Capacity to cover debt
  - Measures net operating income available to make debt payments to the amount of the debt payments
  - This sub-indicator is used if the PHA has taken on long-term obligations
- ▶ Can the project maintain cash flow to pay for operating expenditures and debt service payments?



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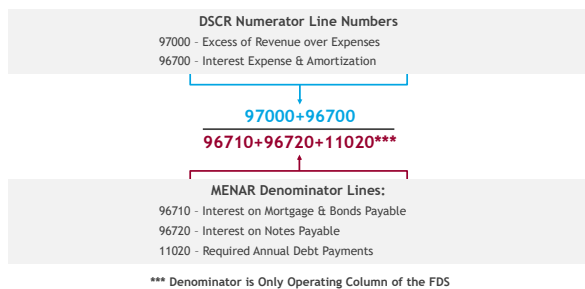
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## FDS Line Numbers for DSCR



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## DSCR Ratio

### SCORING THRESHOLDS

The scoring below shows that agencies achieve maximum points by having at least one and ¼ times the available cash flow to cover debt service payments

DSCR Ratio Value	Points
< 1.0	0
1.0 but < 1.25	1.0
= or > 1.25	2.0
No Debt Service	2.0

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## Energy Performance and FASS

- ▶ AMPs who take on debt for EPC may find themselves in a tricky situation when FASS is calculated
  - The DSCR is based on income statements, so it is trickier to manipulate



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## Scoring FASS

Terrapin Housing Authority PHAS - FASS Summary December 31, 2018				
FASS-Audited				Overall Weighted Score
Project #	Project Score	x # of units	= Product	
PA42000901	2.00	705	1,409	
PA42000902	25.00	714	17,846	
PA42000903	-	-	-	
PA42000904	2.00	582	1,164	
PA42000905	-	-	-	
PA42000906	-	673	-	
PA42000907	19.04	1,058	20,145	
PA42000908	-	718	-	
PA42000909	-	492	-	
PA42000910	-	-	-	
PA42000911	-	28	-	
PA42000912	18.98	747	14,174	
Totals		5,717	54,739	9.57

The unit months comes from the UMA field from each AMP on the FDS Line 11190

- ▶ Financial Indicator Guide - June 2011

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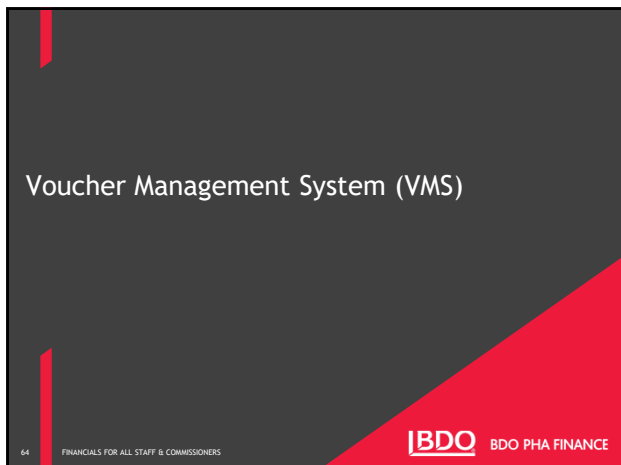
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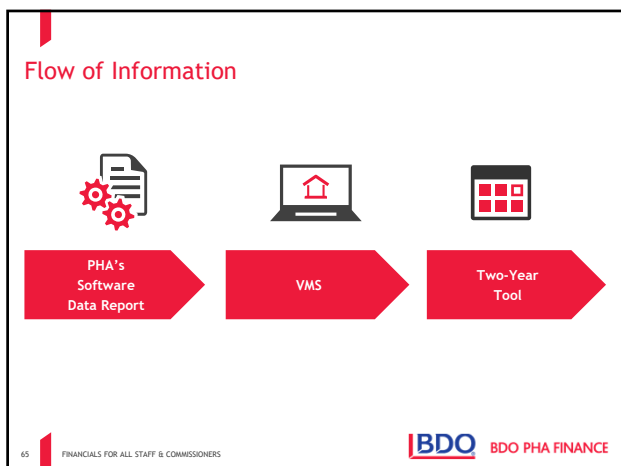
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A presentation slide titled "VMS User's Guide". On the left, there is a list of bullet points: "This system's primary purpose is to monitor and manage Public Housing Agency (PHA) use of vouchers", "VMS collects PHA data that enables HUD to fund, obligate, and disburse funding in a timely manner based on actual PHA use", and "Latest User's Manual is April 2023". On the right is a thumbnail image of the "USER'S MANUAL" cover, which includes the text "Voucher Management System (VMS) Release 17.1.0.0 U.S. Department of Housing and Urban Development April, 2023". The slide has a white background with a red stripe in the top left. At the bottom left, it says "66 FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS". At the bottom right, it features the BDO logo and "BDO PHA FINANCE".

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Business Rules for Monthly Submissions

- ▶ Each submission includes data for the specified month only, so data will be entered for a specific month only
- ▶ Enter all leasing and expense data in positive whole numbers without any punctuation marks or symbols (commas, dollar signs, and decimal points)
- ▶ PHA is responsible for ensuring that all information is correct, and that wrong or missing Official HA data is updated in the PIC information system for future data collection use
- ▶ Fields
  - Type of Voucher and corresponding HAP
  - UNP, RNP, Cash
  - Expenses

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FINANCIALS FOR ALL STAFF & COMMISSIONERS

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Internal Reporting

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Internal Reporting

- ▶ In addition to HUD's required submissions, financial reports monitor the health of the agency on a monthly basis
  - Operating Statement
  - Balance Sheet
  - Section 8 Report(s)
  - Simple Cash Flow

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FINANCIALS FOR ALL STAFF & COMMISSIONERS

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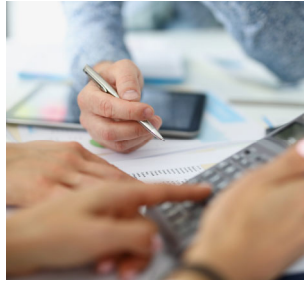
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## Operating Statement

- ▶ Financial document that reports income and expenses
- ▶ Reports your profitability for a given time period
- ▶ Shows budget vs. actual amounts
- ▶ Typically, a top to down report
  - Revenues at top of report & expenses at bottom of report
- ▶ Should be generated by your software and NOT created in Excel



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FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS

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## Revenue

- ▶ Charging for goods or services
  - Money received from the sale of products and services, before expenses are taken out
  - AKA income
- ▶ Total revenue is also known as the top line



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FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS

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## Expenditures

- ▶ Money going out (to another person or company) to pay for a service or item
  - A cost that is remitted (usually) in exchange for something of value
- ▶ Typically, we have far more expense detail



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## Profit

- ▶ When bottom line income is greater than costs or expenses
- ▶ Expenses are less than income
- ▶ Also known as a Surplus
- ▶ If you are operating at a profit, you are "in the black"



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## Loss

- ▶ When "bottom line" costs or expenses exceed income
- ▶ Also known as a Deficit
- ▶ If you are operating at a loss, you are "in the red"



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## The "Bottom Line"

- ▶ When you examine Operating Statements, one of the first financial items to look at is the bottom line
- ▶ It tells the difference between our expenditures and our revenue
- ▶ Net Income is the result after all revenues and expenses have been accounted



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## Cash Versus Profit

- ▶ Cash = actual monies available to be expended
  - This is what's in the bank account, minus outstanding checks
- ▶ This is typically not what shows up as the money the project "makes" at the end of the year
- ▶ Cash is not the same as net income, loss, profit or the bottom line!

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## EXAMPLES Cash Vs. Profit

"Cash" is different from "Profit/Loss" reporting on an Operating Statement because of several types of things

### Non-Cash Expenses

Usually, Operating Statements will report depreciation expense, but is a "non-cash" item. It will affect profit/loss, but not cash

### Loan payments

Operating Statements will not show payment of the principal, only the interest payment shows up as an expense

### Receivables that have not been collected

Operating Statements will show total rents billed, but will not factor in TARs, (and very few AMPs are able to collect 100% of their rents all the time)

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## CASH VERSUS PROFIT TARs

- ▶ AMP 001 has three tenants, each paying \$1,000 rent per month
  - Each month, my rental revenue on my Operating Statement is \$3,000
  - In July, I collect only \$2,500
  - My revenue is \$3,000 on my Operating Statement but my cash only increased by \$2,500 for this transaction

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### Difference Between “Profit” and “Reserves”

- ▶ Profit refers to our operating statement alone
  - It describes the relationship between revenue and expense
  - It does not consider balance sheet items
- ▶ Operating Reserves are calculated carefully according to a prescribed methodology using the FDS
- ▶ Operating Reserves use balance sheet items, such as cash and accounts receivable and income statement items

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### Operating Statement Examination

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### Major Sources of Income

- ▶ Most AMPs (LIPH) have two main sources of income
  - Operating Subsidy
  - Rent
- ▶ Housing Choice Voucher main income statement items include
  - HAP funding
  - Administrative fees



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## Other Income

CONSULT THE FINANCE DEPARTMENT ON PROPERLY IDENTIFYING OTHER INCOME SOURCES, WHICH MAY INCLUDE

### Tenant charges in addition to Rent

- ▶ Damages
- ▶ Late charges
- ▶ Court Costs
- ▶ Excess Utilities

### Non-dwelling rental income

- ▶ Community room rental
- ▶ Commercial space rental, if feasible

### Misc. Other income

- ▶ Investment interest
- ▶ Vending Machines
- ▶ Cell towers, etc.

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## 7 Typical Expense Categories



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## What Are My Major Expenses?

- ▶ There are usually four (4) areas of substantial expense. It is up to the manager to monitor monthly expenses and ensure that charges are appropriate.

Management Fees to the Central Office

Maintenance Materials /Contracts

Salaries & Benefits (Admin & Maintenance)

Utilities (if not tenant paid)

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Operating Statement Seven Months Ending 9/30/2021 Program: Public Housing Project: AMP 1									
	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Actual Budget	Remaining Budget	
<b>INCOME</b>									
<b>TENANT REVENUE</b>									
3110.00 Charging Rental Income	35,660.01	40,200.00	(1,739.99)	286,740.94	281,000.00	21,739.99	401,160.00	(222,419.06)	
3030.01 Tenant Other Income	0.00	1,200.00	(1,200.00)	5,940.00	6,700.00	(7,200.00)	15,000.00	(13,400.00)	
<b>TOTAL TENANT REVENUE</b>	<b>35,660.01</b>	<b>41,400.00</b>	<b>(3,939.99)</b>	<b>292,680.94</b>	<b>287,700.00</b>	<b>14,539.99</b>	<b>416,160.00</b>	<b>(235,819.06)</b>	
<b>GRANT REVENUE</b>									
3300.00 Operating Subsidy (GRS)	111,000.00	86,500.42	4,789.58	888,400.00	674,100.00	11,200.00	1,100,000.00	(475,200.00)	
3300.04 CFF Grant Subsidy	0.00	6,000.00	(6,000.00)	121,410.00	80,000.00	80,000.00	111,000.00	4,000.00	
<b>TOTAL GRANT REVENUE</b>	<b>111,000.00</b>	<b>92,500.42</b>	<b>14,589.58</b>	<b>1,009,810.00</b>	<b>754,100.00</b>	<b>91,200.00</b>	<b>1,211,000.00</b>	<b>(265,400.00)</b>	
<b>CAREN ACT</b>									
3400.00 HUD Revenue-CAREN Act	0.00	0.00	0.00	104,241.00	0.00	104,241.00	0.00	104,241.00	
<b>TOTAL CAREN ACT</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>104,241.00</b>	<b>0.00</b>	<b>104,241.00</b>	<b>0.00</b>	<b>104,241.00</b>	
<b>NON-TENANT INCOME</b>									
3010.00 Interest Income	11.00	200.00	(200.71)	50.70	1,700.00	(1,699.30)	5,000.00	(2,949.30)	
3020.00 Non-Tenant Other	0.00	0.00	0.00	12,910.00	0.00	12,910.00	0.00	12,910.00	
<b>TOTAL NON-TENANT INCOME</b>	<b>11.00</b>	<b>200.00</b>	<b>(200.71)</b>	<b>13,060.70</b>	<b>1,700.00</b>	<b>(1,699.30)</b>	<b>5,000.00</b>	<b>(9,859.30)</b>	
<b>TOTAL INCOME</b>	<b>146,671.01</b>	<b>134,100.42</b>	<b>12,570.59</b>	<b>1,415,551.64</b>	<b>1,043,500.00</b>	<b>372,051.64</b>	<b>1,631,160.00</b>	<b>(215,608.36)</b>	

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FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS

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	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Actual Budget	Remaining Budget	
<b>EXPENSES</b>									
<b>ADMINISTRATIVE EXPENSES</b>									
4110.00 Administrative Salaries & Expense	6,000.01	10,100.00	1,207.44	85,830.00	70,000.70	4,800.00	121,010.00	84,004.17	
4110.01 Administrative Benefits Expense	6,007.49	8,200.17	2,211.71	35,831.28	38,000.17	(1,007.00)	65,200.00	24,708.79	
4110.02 Administrative CTF Salary Expense	100.70	800.00	500.10	1,810.00	3,007.00	3,207.00	8,000.00	4,000.00	
4120.00 Compensating Expenses Expense	0.00	3,000.00	3,000.00	0.00	17,000.00	17,000.00	30,000.00	30,000.00	
4130.00 Legal Expense	10,000.10	5,000.00	(5,000.00)	75,001.10	20,000.00	(51,007.71)	40,000.00	(59,201.10)	
4140.00 Training Expense	0.00	4,000.00	4,000.00	1,007.00	2,000.00	1,000.00	6,000.00	5,000.00	
4150.00 Travel Expense	0.00	100.00	100.00	0.00	1,000.00	1,000.00	3,000.00	3,000.00	
4171.00 Audit Expense	1,000.00	210.17	(1,700.00)	1,000.00	3,000.17	(2,000.17)	2,000.00	1,000.00	
4180.00 Other Administrative Expense	100.00	600.00	471.10	5,000.00	5,000.00	0.00	10,000.00	5,000.00	
4190.00 Applicant Screening	0.00	400.00	400.00	0.00	3,000.00	3,000.00	5,000.00	4,000.00	
4190.03 Office Expense	207.22	600.00	392.78	1,001.70	4,000.00	3,000.00	7,000.00	6,000.00	
4190.04 Telephone Expense	500.10	600.00	100.00	4,000.00	3,000.00	(400.00)	6,000.00	2,000.00	
4190.05 Postage Expense	100.00	200.00	100.00	2,000.00	2,000.00	0.00	5,000.00	3,000.00	
4190.06 Advertising Expense	100.00	60.00	(40.00)	1,000.00	900.00	100.00	1,000.00	200.00	
4190.07 Dues & Fees Expense	211.11	200.00	107.11	2,000.00	2,000.00	0.00	4,000.00	2,000.00	
4190.08 Consulting Expense	600.00	0.00	(600.00)	10,000.00	0.00	(10,000.00)	0.00	(10,000.00)	
4190.11 Internet Expense	410.00	600.00	200.00	2,110.00	4,000.00	3,000.00	7,000.00	5,000.00	
4190.13 Office Supplies	100.00	600.00	500.00	2,000.00	3,000.00	1,000.00	6,000.00	5,000.00	
4190.02 Equipment Maintenance	0.00	100.00	100.00	1,000.00	970.00	(1,111.00)	1,000.00	100.00	
4190.07 Management Fee Expense	10,110.24	10,700.00	(589.76)	110,000.00	110,000.00	(1,000.00)	100,000.00	71,000.00	

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FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS

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	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Actual Budget	Remaining Budget	
<b>ADMINISTRATIVE EXPENSES</b>									
4190.02 Bookkeeping Fee Expense	1,400.00	1,477.33	23.33	10,000.00	10,000.00	0.00	17,730.00	7,400.00	
4190.03 Asset Management Fee Expense	2,010.00	2,010.00	0.00	14,070.00	14,070.00	0.00	24,120.00	10,050.00	
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>49,000.00</b>	<b>49,300.00</b>	<b>(3,200.00)</b>	<b>371,000.00</b>	<b>324,070.70</b>	<b>47,000.00</b>	<b>596,070.00</b>	<b>(184,470.00)</b>	
<b>TENANT SERVICES EXPENSES</b>									
4200.00 Tenant Service Other Expense	1,331.00	874.25	(457.75)	21,100.00	6,010.70	(14,089.00)	11,000.00	(5,417.00)	
4200.30 Ross Grant Administration	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>TOTAL TENANT SERVICES EXPENSES</b>	<b>1,331.00</b>	<b>874.25</b>	<b>(457.75)</b>	<b>21,100.00</b>	<b>6,010.70</b>	<b>(14,089.00)</b>	<b>11,000.00</b>	<b>(5,417.00)</b>	
<b>UTILITIES EXPENSES</b>									
4310.00 Water Expense	1,000.00	5,100.00	4,100.00	22,001.10	35,100.00	13,000.00	62,000.00	30,910.00	
4311.00 Sewer Expense	1,000.00	5,100.00	4,100.00	22,001.10	35,100.00	13,000.00	62,000.00	30,910.00	
4320.00 Electric Expense	2,000.00	2,000.00	0.00	13,111.20	17,000.00	4,000.00	30,000.00	16,000.00	
4330.00 Gas Expense	20,000.00	20,000.00	0.00	79,702.31	145,000.00	65,000.00	250,000.00	170,217.69	
4340.00 Fuel Expense	0.00	100.00	100.00	270.01	1,000.00	800.00	2,000.00	1,730.00	
4350.00 Cable TV	0.00	47.00	47.00	0.00	500.00	500.00	500.00	0.00	
<b>TOTAL UTILITIES EXPENSES</b>	<b>34,000.00</b>	<b>34,000.00</b>	<b>(100.00)</b>	<b>138,000.00</b>	<b>208,000.00</b>	<b>70,000.00</b>	<b>400,000.00</b>	<b>(262,000.00)</b>	

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FINANCIALS FOR ALL STAFF &amp; COMMISSIONERS

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	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Annual Budget	Remaining Budget
<b>MAINTENANCE EXPENSES</b>								
4432.00 Maintenance Supplies Expense	14,947.04	15,855.43	2,338.96	124,550.32	110,575.00	28,975.32	251,445.00	76,852.10
4433.00 Maintenance Benefits Expense	7,424.14	8,857.42	1,733.79	50,573.09	47,000.42	7,552.67	115,445.00	85,532.89
4434.00 Maintenance OT Salary Expense	1,833.94	2,333.19	569.27	18,448.99	18,338.28	110.71	28,885.00	11,533.44
4435.00 Maintenance Materials Expense	15,833.01	4,198.87	45,744.26	52,593.44	26,189.87	22,588.77	83,885.00	12,933.44
4437.00 Vehicle Maintenance & Repair	0.00	416.87	416.87	339.33	2,219.87	2,501.94	5,000.00	4,494.87
4438.00 Vehicle Cleanliness Expense	151.24	411.82	259.12	839.34	280.43	254.82	933.00	235.24
4439.00 Maintenance Contracts Expense	0.00	853.19	853.19	19,544.93	9,033.33	16,744.93	18,885.00	25,844.93
4439.01 Travel Arrangement Contract Expense	161.88	2,000.00	1,837.12	14,049.34	14,000.00	1,049.34	24,000.00	9,950.66
4439.02 Security/Fire Safety Contract Expense	1,341.88	416.87	465.21	4,495.87	2,219.87	11,245.90	8,000.00	141.88
4439.03 Elevator Contract Expense	0.00	0.00	0.00	1,000.00	0.00	11,000.00	0.00	11,000.00
4439.04 Landscaping Contract Expense	12,000.00	1,853.82	10,146.18	27,000.00	12,000.00	15,000.00	22,000.00	28,000.00
4439.05 Civil Transportation Contract Expense	8,442.26	4,888.87	174.28	18,448.97	46,888.87	28,188.88	85,000.00	81,888.12
4439.06 Painting Contract Expense	0.00	2,000.00	2,000.00	0.00	14,000.00	14,000.00	25,000.00	25,000.00
4439.07 Electrical Contract Expense	0.00	85.33	85.33	874.80	900.00	8,445.19	1,000.00	425.10
4439.08 Plumbing Contract Expense	142.80	416.87	274.17	2,875.52	2,219.87	240.15	5,000.00	2,524.48
4439.09 Landscaping Contract Expense	0.00	2,512.80	2,512.80	4,888.93	17,007.00	15,022.50	35,185.00	25,488.00
4439.10 Landscaping Contract Expense	0.00	125.00	125.00	852.00	875.00	45.00	1,500.00	888.00
4439.11 HVAC Contract Expense	0.00	416.87	416.87	0.00	2,219.87	2,219.87	5,000.00	5,000.00
4439.12 Maintenance Contract Expense	0.00	228.19	228.19	1,044.07	1,480.00	1,445.74	2,500.00	855.83
4439.13 Uniform Contract Expense	168.38	228.19	25.81	1,081.01	1,075.00	106.01	2,700.00	818.87
<b>TOTAL MAINTENANCE</b>	<b>59,871.00</b>	<b>51,351.08</b>	<b>28,499.08</b>	<b>295,213.40</b>	<b>206,170.38</b>	<b>8,607.94</b>	<b>616,885.00</b>	<b>245,745.82</b>

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	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Annual Budget	Remaining Budget
<b>INSURANCE EXPENSES</b>								
4510.00 Property Insurance Expense	9,570.86	9,513.80	457.06	50,071.02	58,584.50	4,459.83	86,182.00	27,110.88
4510.01 Liability Insurance Expense	3,000.00	3,284.42	275.14	25,414.80	22,888.82	2,525.98	34,187.00	15,889.20
4510.02 Workers Comp Insurance Expense	988.94	1,276.82	287.87	6,376.11	6,838.42	2,462.11	15,533.00	9,566.89
4510.03 Insurance Other Expense	16.10	424.42	408.32	6,231.00	2,217.82	13,280.86	5,000.00	11,138.00
<b>TOTAL INSURANCE EXPENSES</b>	<b>16,111.87</b>	<b>16,475.26</b>	<b>364.38</b>	<b>72,093.03</b>	<b>72,510.74</b>	<b>15,749.73</b>	<b>126,479.00</b>	<b>48,835.87</b>
<b>GENERAL EXPENSES</b>								
4520.00 PILOT Expense	442.34	850.87	188.29	12,147.52	4,414.87	17,762.85	7,988.00	16,766.93
4570.00 Collection Losses - Unrecovered	0.00	853.33	853.33	11,347.40	6,033.33	7,780.81	10,000.00	11,347.40
4510.00 Maintenance Benefits & Salaries	27,044.02	0.00	27,044.02	54,455.10	0.00	54,455.10	0.00	54,455.10
4510.00 COVID Expenses	6,448.84	0.00	26,448.84	18,147.72	0.00	18,147.72	0.00	18,147.72
5100.02 Payroll Taxes	1,000.20	850.33	149.87	9,381.49	9,000.00	481.12	15,432.00	3,850.39
5100.02 Maintenance Payroll Taxes	1,000.11	1,000.00	100.00	40,351.42	10,000.00	40,351.42	16,152.00	9,497.59
<b>TOTAL GENERAL EXPENSES</b>	<b>37,441.72</b>	<b>4,504.20</b>	<b>23,288.12</b>	<b>126,786.34</b>	<b>29,448.19</b>	<b>107,411.89</b>	<b>89,492.00</b>	<b>109,933.89</b>
<b>TOTAL EXPENSES</b>	<b>106,444.16</b>	<b>147,389.42</b>	<b>111,675.70</b>	<b>1,022,001.26</b>	<b>1,031,678.56</b>	<b>1,748,431.84</b>	<b>1,746,471.00</b>	<b>571,853.74</b>
<b>SURPLUS</b>	<b>148,873.58</b>	<b>0.00</b>	<b>148,873.58</b>	<b>235,898.87</b>	<b>81.00</b>	<b>235,898.86</b>	<b>0.00</b>	<b>235,898.87</b>

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<b>Housing Choice Voucher Implication</b>	
<ul style="list-style-type: none"> <li>▶ When working with the HCV Income Statement, the PHA must pay attention to the HAP revenue as well as HAP expenses</li> <li>▶ HAP revenue <ul style="list-style-type: none"> <li>• HAP subsidy</li> <li>• Typically, 1/2 of fraud recovery</li> </ul> </li> <li>▶ HAP expenses <ul style="list-style-type: none"> <li>• HAP</li> <li>• UAP/URP</li> <li>• FSS escrow</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▶ When HAP revenue and HAP expenses are included with operating expenses, then it will distort the actual/profit loss of the program</li> <li>▶ The bottom line is that we want to know what the profitability of the HCV program with out the HAP funding and expenses to get an accurate profit/loss of the program</li> </ul>

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## Housing Choice Voucher Implication CASE STUDY

	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Annual Budget	Remaining Budget
<b>INCOME</b>								
<b>SUBSIDY REVENUE</b>								
3425.00 HUD Revenue CARES Act	0.00	0.00	0.00	500,165.00	0.00	500,165.00	0.00	500,165.00
3500.85 Mainstream Vouchers	6,454.00	0.00	6,454.00	44,124.00	0.00	44,124.00	0.00	44,124.00
3500.86 Annual Contrib Earned - HAP	965,567.00	520,965.25	44,601.75	5,098,575.00	5,646,756.75	(48,181.75)	6,251,563.00	(2,653,008.00)
3500.87 Annual Contrib Earned Admin Fee	50,001.00	50,003.92	2,997.08	381,837.00	350,037.42	41,809.58	600,047.00	(208,210.00)
<b>TOTAL SUBSIDY REVENUE</b>	<b>622,062.00</b>	<b>671,969.17</b>	<b>54,992.83</b>	<b>6,034,761.00</b>	<b>5,996,794.17</b>	<b>627,916.83</b>	<b>6,851,610.00</b>	<b>(2,316,929.00)</b>
<b>OTHER REVENUE</b>								
3610.00 Interest Income	0.00	166.67	(166.67)	62.86	1,166.67	(1,103.81)	2,000.00	(1,937.14)
3500.79 Port In Admin	57.11	0.00	57.11	1,786.75	0.00	1,786.75	0.00	1,786.75
3500.80 Fraud Income	3,142.00	0.00	3,142.00	26,552.00	0.00	26,552.00	0.00	26,552.00
3500.81 Fraud Income - HAP	0.00	1,093.33	(1,093.33)	0.00	7,363.33	(7,363.33)	13,000.00	(13,000.00)
3500.82 Fraud Income - Admin	0.00	1,093.33	(1,093.33)	0.00	7,363.33	(7,363.33)	13,000.00	(13,000.00)
<b>TOTAL OTHER REVENUE</b>	<b>3,200.81</b>	<b>2,353.33</b>	<b>871.68</b>	<b>28,402.81</b>	<b>16,526.33</b>	<b>12,876.48</b>	<b>26,000.00</b>	<b>403.41</b>
<b>TOTAL INCOME</b>	<b>625,262.81</b>	<b>674,322.50</b>	<b>54,966.81</b>	<b>6,063,163.81</b>	<b>6,013,320.50</b>	<b>548,843.31</b>	<b>6,877,610.00</b>	<b>(2,316,929.00)</b>

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## Housing Choice Voucher Implication CASE STUDY

	Period Amount	Period Budget	Period Variance	YTD Amount	YTD Budget	YTD Variance	Annual Budget	Remaining Budget
<b>HAP EXPENSES</b>								
4715.00 HAP Expense	510,607.00	520,965.25	10,158.25	3,603,960.00	3,646,756.75	42,796.75	6,251,563.00	2,647,593.00
4715.01 UAP Expense	7,847.00	0.00	(7,847.00)	57,363.00	0.00	(57,363.00)	0.00	(57,363.00)
4715.02 Port Out HAP & UAP Expense	17,776.00	0.00	(17,776.00)	129,064.00	0.00	(129,064.00)	0.00	(129,064.00)
4715.03 FSS Escrow Expense	5,396.91	0.00	(5,396.91)	26,344.68	0.00	(26,344.68)	0.00	(26,344.68)
<b>TOTAL HAP EXPENSES</b>	<b>641,626.91</b>	<b>620,965.25</b>	<b>(20,641.66)</b>	<b>4,817,732.68</b>	<b>3,646,756.75</b>	<b>(1,170,976.83)</b>	<b>6,251,563.00</b>	<b>2,454,216.52</b>
<b>TOTAL EXPENSES</b>	<b>644,827.72</b>	<b>671,322.50</b>	<b>(23,226.28)</b>	<b>4,846,165.36</b>	<b>6,011,846.83</b>	<b>(1,165,681.47)</b>	<b>6,877,610.00</b>	<b>2,691,819.80</b>
<b>SURPLUS</b>	<b>(29,564.91)</b>	<b>393.33</b>	<b>32,738.28</b>	<b>(28,402.81)</b>	<b>2,000.00</b>	<b>30,402.81</b>	<b>2,000.00</b>	<b>278,294.41</b>

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## Housing Choice Voucher Implication CASE STUDY

- ▶ The current YTD profit is \$378,740.41
- ▶ Total HAP funding is \$3,611,851
  - HAP funding \$3,598,575
  - ½ of fraud recovery \$13,276
- ▶ Total HAP expense is \$3,817,367
- ▶ The true operating profit is \$584,256.41 once all HAP items are backed out
- ▶ Rule of thumb
  - If net HAP activity is a loss, add back into net profit (surplus)
  - If net HAP activity is a profit, subtract from net profit (surplus)

YTD Profit \$378,740.41  
Net HAP Activity **(\$205,516)**  
New YTD Profit \$584,256.41

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## Monitoring the Budget



- ▶ Budget has to be approved before the fiscal year begins
  - Can budget at a loss, profit or break-even
  - Budget revision
- ▶ Commissioners and PHA staff should monitor the Operating Statement monthly
  - Reports can be marked up and filed for reference
  - Consult Finance Department/Fee Accountant
  - Variances should be explained

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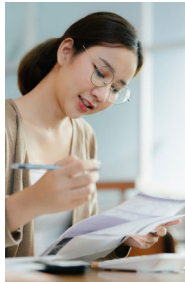
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## Budget Variances

- ▶ A variance is the difference between what was budgeted, and what actually occurred
  - Describes a difference in an income or expense
  - "Difference" = subtraction
  - Calculate variance by subtracting the actual amount from the budgeted amount



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## Positive Variance

- ▶ There are two kinds of variance - positive & negative
- ▶ Positive - two (2) possible occurrences:
  - REVENUE side: actual income is HIGHER than budgeted
  - EXPENSE side: actual costs were LESS than the budgeted prediction (Hooray!)
- ▶ The net result of a positive variance is that you have MORE \$\$ than planned

### EXAMPLE

I thought lunch would cost \$10.00, but it was actually free!

\$10.00 budgeted

- \$ 0.00 actual

\$10.00 ◀ variance

I'm happy I saved money; it must be a positive variance

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## Positive Variance on the Revenue Side of the Report

Which of the below sample variances are considered POSITIVE?

Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
3000-00-000 INCOME					
3100-00-000 TENANT INCOME					
3101-00-000 Rental Income					
3111-00-000 Tenant Rent	70,473.18	69,620.00	853.18	1.23	69,620.00
3119-00-000 Total Rental Income	70,473.18	69,620.00	853.18	1.23	69,620.00
3120-00-000 Other Tenant Income					
3120-02-000 Cleaning Fee	-360.00	0.00	-360.00	N/A	0.00
3120-03-000 Damages	0.00	30.00	-30.00	-100.00	30.00
3120-04-000 Late Charges	60.00	50.00	10.00	20.00	50.00
3120-09-000 Misc. Tenant Income	27.00	310.00	-283.00	-91.29	310.00
3129-00-000 Total Other Tenant Income	-273.00	390.00	-663.00	-170.00	390.00
3199-00-000 NET TENANT INCOME	70,200.18	70,010.00	190.18	0.27	70,010.00
3400-00-000 GRANT INCOME					
3401-00-000 HUD PHA Operating Grants/Subsidy	72,254.00	72,350.00	-95.00	-1.25	72,350.00
3499-00-000 TOTAL GRANT INCOME	72,254.00	72,350.00	-95.00	-1.25	72,350.00

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## Don't Judge A Variance by It's Looks

- ▶ What the numbers tell us is more important than what they look like
- ▶ In the revenue side of our report, a "positive" variance might look negative!
- ▶ Common sense trumps everything



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## Positive Variance on the Expense Side of the Report

Which of the above sample variances are considered POSITIVE?

Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
4410-00-000 Maintenance Salaries	13,487.11	13,310.00	-177.11	-1.33	13,310.00
4410-05-000 Employee Benefit Contribution-Maint.	2,666.80	4,960.00	2,293.20	46.23	4,960.00
4413-00-000 Vehicle Gas, Oil, Grease	43.83	0.00	-43.83	N/A	0.00
4419-00-000 Total General Maint Expense	16,197.74	18,270.00	2,072.26	11.34	18,270.00
4420-00-000 Materials					
4420-07-000 Supplies-Maint/Repairs	581.84	2,800.00	2,218.16	79.22	2,800.00
4420-08-000 Supplies-Plumbing	61.49	0.00	-61.49	N/A	0.00
4429-00-000 Total Materials	643.33	2,800.00	2,156.67	77.02	2,800.00

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## Negative Variance

- ▶ Two (2) possible occurrences
  - REVENUE side: actual income is LOWER than budgeted
  - EXPENSE side: actual costs were MORE than the budgeted prediction
- ▶ The net result of a negative variance is that you have LESS \$\$ than planned

### EXAMPLE

I thought my friend was paying for dinner, (so I budgeted \$0), but he left his wallet at home... Dinner was \$89.00

\$ 0.00
- \$ 89.00
(\$ 89.00) ◀ variance

I'm in a bad mood, so it must be negative variance

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## Get Your Bearings

- ▶ Situate yourself on the report before you decide whether variance is positive or negative

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## Negative Variance on the Expense Side of the Report

Which of the below expense variance dollar amounts is a NEGATIVE variance?

Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
4410-00-000 Maintenance Salaries	13,487.11	13,310.00	-177.11	-1.33	13,310.00
4410-05-000 Employee Benefit Contribution-Maint.	2,666.80	4,960.00	2,293.20	46.23	4,960.00
4413-00-000 Vehicle Gas, Oil, Grease	43.83	0.00	-43.83	N/A	0.00
4419-00-000 Total General Maint Expense	16,197.74	18,270.00	2,072.26	11.34	18,270.00
4420-00-000 Materials					
4420-07-000 Supplies-Maint/Repairs	581.84	2,800.00	2,218.16	79.22	2,800.00
4420-08-000 Supplies-Plumbing	61.49	0.00	-61.49	N/A	0.00
4429-00-000 Total Materials	643.33	2,800.00	2,156.67	77.02	2,800.00

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## Which to Explain?

Major line-item variances should meet a **percent AND dollar** amount

- ▶ Both Positive and Negative variances greater than xx% and \$xx should be explained and defined by your PHA
- ▶ Negative variance explanations can include corrective measures
- ▶ Positive and negative variance might not have anything to do with plus or minus indications
- ▶ Need the .... Why there is a variance

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## Why Explain Variance?

- ▶ Variance investigation requires a thoughtful analysis about real time spending
- ▶ It discourages us from looking at spending all our money as a goal
- ▶ Lack of variance explanation could lead to
  - Incorrectly assigned expenses
  - Overspending
  - Misclassified amounts
  - Fraud / theft
  - Underspending
  - In appropriate restriction on resources



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## Explaining Variance

10 Minute Crunch Analysis Technique

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## The Bottom Line



- ▶ YTD Actual column represents actual revenue or costs from the beginning of the fiscal year to the ending reporting period
- ▶ YTD Budget column represents the budget for a certain number of months
  - If the annual budget is \$12,000 for maintenance supplies, then the YTD budget through June is \$6,000 for a December year-end
- ▶ The dollar and percent variance column represents the difference between the actual amount and budget amount
  - What are your parameters that would require an explanation (\$ and %) ?
- ▶ Start at the "Bottom Line", your YTD profit and loss, then review variances by category starting with revenue and working your way down to expenses

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## Check on the Bottom Line

Examine Actual Year to date; subtract the total expense from total revenue

Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
3699-00-000 TOTAL OTHER INCOME	54,540.70	12,422.00	42,118.70	339.07	12,422.00
3999-00-000 TOTAL INCOME	197,994.88	154,782.00	43,212.88	27.92	154,782.00
8000-00-000 TOTAL EXPENSES	217,411.63	182,590.00	-34,821.63	-19.07	182,590.00
9000-00-000 NET INCOME	-19,416.75	-27,808.00	8,391.25	30.18	-27,808.00

On this particular report, if your bottom line number is negative, you are showing a loss; if there is negative sign, we are operating at a loss

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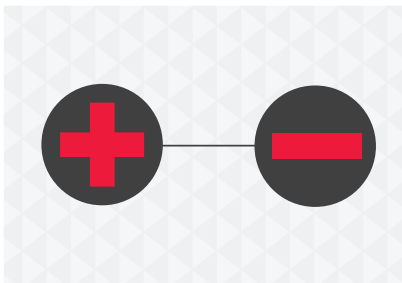
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## Bottom Line Variance

After checking the bottom YTD profit or loss, check the bottom-line variance

- ▶ Is it positive or negative?
- ▶ (And what does this mean?)



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## Bottom Line Variance

Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
3699-00-000 TOTAL OTHER INCOME	54,540.70	12,422.00	42,118.70	339.07	12,422.00
3999-00-000 TOTAL INCOME	197,994.88	154,782.00	43,212.88	27.92	154,782.00
8000-00-000 TOTAL EXPENSES	217,411.63	182,590.00	-34,821.63	-19.07	182,590.00
9000-00-000 NET INCOME	-19,416.75	-27,808.00	8,391.25	30.18	-27,808.00

On this particular report, your actual YTD loss is -\$19,416.75 vs. a YTD budgeted loss of -\$27,808, the variance is \$8,381.25

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## INVESTIGATING VARIANCE Revenue & Expense Totals

- ▶ Follow the variance from the top to the bottom
- ▶ After you examine the bottom line, you can move to the summary/totals for overall revenue and expense categories
  - Then you can move on to the main expense category summaries



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Terrapin Housing Authority Budget Comparison Period = Oct 2018 Book = Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
3119-00-000 Total Rental Income	70,473.18	69,620.00	853.18	1.23	69,620.00
3499-00-000 TOTAL GRANT INCOME	73,254.00	72,350.00	904.00	1.25	72,350.00
3699-00-000 TOTAL OTHER INCOME	54,540.70	12,422.00	42,118.70	339.07	12,422.00
4199-00-000 TOTAL ADMINISTRATIVE EXPENSES	77,855.39	98,970.00	21,114.61	21.33	98,970.00
4399-00-000 TOTAL UTILITY EXPENSES	17,192.76	23,720.00	6,527.24	27.52	23,720.00
4499-00-000 TOTAL MAINTENANCE EXPENSES	46,438.31	29,160.00	17,278.31	-59.25	29,160.00
4599-00-000 TOTAL GENERAL EXPENSES	30,309.19	30,740.00	430.81	1.40	30,740.00
5999-00-000 TOTAL NON-OPERATING ITEMS	45,615.98	0.00	-45,615.98	N/A	0.00
9000-00-000 NET INCOME	-19,416.75	-27,808.00	8,391.25	30.18	-27,808.00

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## Income Statement Detail

Terrapin Housing Authority Budget Comparison Period - Oct 2018 Book - Accrual					
	YTD Actual	YTD Budget	Variance	% Var	Annual
4400-00-000 MAINTENANCE AND OPERATIONS					
4400-99-000 General Maint Expense					
4410-00-000 Maintenance Salaries	13,487.11	13,310.00	-177.11	-1.33	13,310.00
4410-05-000 Employee Benefit Contribution Maint.	2,666.80	4,960.00	2,293.20	46.23	4,960.00
4413-00-000 Vehicle Gas, Oil, Grease	43.83	0.00	-43.83	N/A	0.00
4419-00-000 Total General Maint Expense	16,197.74	18,270.00	2,072.26	11.34	18,270.00
4420-00-000 Materials					
4420-07-000 Supplies-Maint/Repairs	581.84	2,800.00	2,218.16	79.22	2,800.00
4420-08-000 Supplies-Plumbing	61.49	0.00	-61.49	N/A	0.00
4429-00-000 Total Materials	643.33	2,800.00	2,156.67	77.02	2,800.00
4430-00-000 Contract Costs					
4430-01-001 Contract Costs-Uniforms/Cleaning	0.00	350.00	350.00	100.00	350.00
4430-03-000 Contract-Building Repairs	2,897.75	100.00	-2,797.75	-2,797.75	100.00
4430-07-000 Contract-Pest Control	2,004.50	1,380.00	-624.50	-45.25	1,380.00
4430-09-000 Contract-Grounds	10,120.00	1,330.00	-8,790.00	-660.90	1,330.00
4430-11-000 Contract-Plumbing	3,335.00	0.00	-3,335.00	N/A	0.00
4430-13-000 Contract-HVAC	8,995.00	0.00	-8,995.00	N/A	0.00
4430-15-000 Contract-Alarm Monitoring	712.49	0.00	-712.49	N/A	0.00
4430-99-000 Contract Costs-Other	1,532.50	4,930.00	3,397.50	68.91	4,930.00
4439-00-000 Total Contract Costs	29,597.24	8,090.00	-21,507.24	-265.85	8,090.00
4499-00-000 TOTAL MAINTENANCE EXPENSES	46,438.11	29,160.00	-17,278.11	-59.25	29,160.00

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## INVESTIGATING VARIANCE Digging Deeper

- If there is a particularly strange variance, you may be able to examine the issue deeper using GL detail provided by finance, to pinpoint the source



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## Monthly Cash Report Look For Relationships

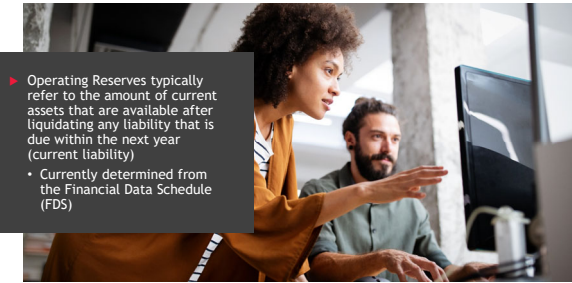
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## What Are Operating Reserves?



- ▶ Operating Reserves typically refer to the amount of current assets that are available after liquidating any liability that is due within the next year (current liability)
- Currently determined from the Financial Data Schedule (FDS)

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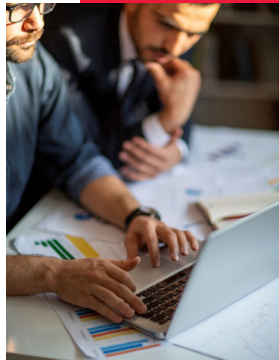
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## Operating Reserves Include

- ▶ Unspent operating subsidy
- ▶ Unspent tenant rent
- ▶ Other miscellaneous revenue, including program income that has expanded uses (e.g., non-rental income from vending machines, cell tower leases, energy savings from energy performance contracts)
- ▶ Unrestricted, unspent insurance proceeds



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## How Do We Discuss Reserves?

- ▶ Typically, there are two ways reserves are measured and discussed
  - Dollars: Total \$ amount of reserves
  - Time Period: Amount of time (in months) that it would take for a PHA/AMP to fully expend reserve dollar amount, covering day-to-day operating expenses, (and without additional subsidy)



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OPERATING RESERVES

Calculation Methodology

FDS Line #	Description
1	111 Cash - Unrestricted
2	114 Cash - Tenant Security Deposit
3	120 Total Receivables
4	131 Investments - Unrestricted
5	142 Prepaid Expenses & Other Assets
6	144 Inter-Program-Due From
7	145 Assets Held for Sale
8	Total (1+2+3+4+5+6+7)
9	310 Total Current Liabilities
10	343 Current Portion of Long Term Debt - Cap. Projects
11	Total (9-10)
12	Total Operating Reserves (8-11)

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Number Of Months

OPERATING RESERVES

Formula used to determine number of months of operating reserves

$$\frac{\text{Operating Reserves}}{\text{FDS Lines (969000+97100+97200)} \div 12 \text{ (months)}}$$

969000 - Total Operating Expenses

97100 - Extraordinary Maintenance

97200 - Casualty Losses

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OPERATING RESERVE CALCULATION

Housing Authority

As of 06/30/2021

		AMP 1	AMP 2	AMP 3	LIPH Total
Line #	FDS# Description				
1	111 Cash - Unrestricted	\$380,657	\$77,586	\$136,112	\$594,355
2	114 Cash - Tenant Security Deposits	\$25,261	130,568	\$23,448	\$289,277
3	120 Total Receivables - less allowance for doubtful acc	\$54,116	\$10,495	\$14,661	\$99,972
4	131 Investments - Unrestricted				\$0
5	142 Prepaid expenses and other assets	\$10,756	\$6,430	\$5,499	\$22,685
6	144 Inter-program - due from	\$151,871	\$252,175	\$177,855	\$581,901
7	145 Assets held for sale				\$0
8	Total (1+2+3+4+5+6+7)	\$719,651	\$1,029,249	\$457,001	\$1,666,154
9	310 Total Current Liabilities	\$60,362	\$51,628	\$67,717	\$189,707
10	343 Current Portion of Long Term Debt - Capital Projects				\$0
11	Unbonded AP - 100	\$60,362	\$51,628	\$67,717	\$189,707
12	Total Operating Reserves (8-11)	\$111,105	\$99,125	\$109,262	\$319,492
13	# of Months Reserves	0.57	0.66	2.44	3.23
14	YTD Operating Expenses	\$1,687,751.09	\$909,245.19	\$1,420,570.23	\$4,017,566.51
15	97100 Extraordinary Maintenance	\$76,626.51		\$15,951.02	\$92,611.46
16	97200 Casualty Losses - Non-capitalized				\$0.00
17	Monthly Operating Expenses	\$199,981.09	\$101,027.24	\$159,615.91	\$460,624.24
18	Months of Operating Expenses (Line 17) / 12x4	\$783,624.22	\$404,108.97	\$638,455.62	\$1,626,188.81
19	Total Operating Reserves less 4 months of Operating Expenses (Line 12 - Line 18)	-\$672,587.89	\$571,716.91	\$0.00	-\$140,841.08

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# Monitoring HCV

HAP Funding, Leasing, HAP Expenses, RNP

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# Leasing and HAP Utilization

HCV

▶ Reporting should analyze the following

- Monthly HAP Utilization
- Monthly per Unit HAP Cost
- Monthly/Projected units leased
- Monthly/Projected RNP/UNP Reserve/HUD Held Reserves

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Month	HAP Received	HAP/UNP FSS/HAP PO	HAP Utilization	UML	Ass-PUC	% Leased	UMA	FSS Fort. Fraud Rec	Excess (Deficiency)	NRP Available	Program Reserves
CY ABA											\$ 4,153,297
PP Program Reserves											200,000
Balance Forward										\$ 609,386	\$ 4,353,297
January	366,939	385,000	100%	1,287	308.74	96%	1,800	500	(17,563)	641,825	3,986,958
February	366,939	385,000	100%	1,290	308.80	96%	1,800	350	(18,713)	623,114	3,619,419
March	366,939	385,000	100%	1,291	308.90	96%	1,800	400	(19,163)	603,953	3,252,483
April											

Just Use HUD's Two-Year-Tool

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# Monitoring Capital Fund

Revenues & Expenses

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## Balance Sheet Details

- ▶ Often compare year-to-year figures
- ▶ Assets are listed first, in order of liquidity
- ▶ Assets are followed by liabilities & equity
- ▶ This is where you find some detail on
  - Cash
  - Accounts Receivable (A/R)
  - Inventory
  - Fixed assets
  - Investments
  - Accounts payable (A/P)
  - Long term debt



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## Sample Balance Sheet

	Primary Government	Component Units
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 395,070	\$ 129,838
Restricted Cash and Cash Equivalents	476,455	0
Receivables - Net of Allowance	716,851	522,285
Investments, Net	3,645	0
Prepaid Expenses and Other Assets	68,822	0
<b>Total Current Assets</b>	<b>1,660,843</b>	<b>652,123</b>
<b>Noncurrent Assets</b>		
Capital Assets, Net Being Depreciated	7,727,537	542,973
Capital Assets, Net of Depreciation	4,511,170	0
<b>Total Noncurrent Assets</b>	<b>12,238,707</b>	<b>542,973</b>
<b>TOTAL ASSETS</b>	<b>\$16,006,550</b>	<b>\$ 1,195,096</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 187,614	\$ 526,508
Tenant Security Deposits	173,756	0
Accrued Interest Payable	13,568	0
Accrued Wages and Compensated Absences	65,754	0
Intergovernmental Payables	60,822	0
Deferred Revenues	16,019	20,006
Current Portion Notes and Loans Payable	181,467	5,062
<b>Total Current Liabilities</b>	<b>723,480</b>	<b>550,576</b>
<b>Noncurrent Liabilities</b>		
Bonds, Notes, and Loans Payable	6,481,318	961,972
Accrued Compensated Absences, Non-Current	254,678	0
<b>Total Noncurrent Liabilities</b>	<b>6,735,996</b>	<b>961,972</b>
<b>Total Liabilities</b>	<b>13,969,476</b>	<b>1,512,548</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	7,951,549	443,052
Restricted Net Assets	4,137	0
Unrestricted Net Assets	469,974	110,480
<b>Total Net Assets</b>	<b>\$ 8,537,590</b>	<b>\$ 553,532</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$16,006,550</b>	<b>\$ 1,195,096</b>

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## Balance Sheet Considerations

- ▶ If cash is down and A/P is up (this year compared to last year) how long can we go on with the bills stacking up and not a lot of money to pay them?
- ▶ Are investments up or down?
- ▶ What about TARs?
- ▶ Current assets vs current liabilities



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