Session 7:
Public Housing Operating Fund Reporting
Overview

- This session will cover:
  - Establishment of projects and project types
  - General project level reporting, with emphasis on mixed-finance projects
  - Common reporting issues in low rent:
    - Cash and investments
    - Specific revenue and expense line items
    - Operating transfers & due to / from
    - Memo accounts
Projects
Project Overview

- Focus is now at a project level
- Grouping of buildings for management efficiencies
- Recorded in PIC
- Projects consist of Public Housing and Capital Fund activity
- PHAs began reporting project level submissions beginning with June 30, 2008 FYE submissions
General Guidance

● All PHAs with public housing units will need to establish projects in PIC, including MTW PHAs.
● PHAs with fewer than 400 dwelling units may group their entire portfolio as a single project, unless required to operate under asset management (stop loss).
● Mixed finance projects must generally have a separate project number.
● PHAs are required to designate administrative buildings and central maintenance facilities with a project number ending in “9999.”
Conventional Projects

- Conventional projects are projects under management and are funded through the Operating and Capital Fund programs.
- Conventional projects form the basis and foundation of project level reporting.
Demolition / Disposition Projects

- Units will be recoded in PIC as “approved for demolition” or “approved for disposition.”
- Once demolished or disposed, units are recorded as “removed from inventory.”
- A project is terminated in PIC only after the land has been disposed and the Field Office has released the Declaration of Trust (DOT). A project marked as terminated in PIC is not available in FASS.
- PHAs should continue to report all project-related activity until the project number is no longer available in FASS.
Mixed Finance Projects
Example Mixed Finance Model

- **Investors**
  - Money (Equity)
  - Tax Credits

- **Syndicator**
  - Money (financing)
  - Tax Credits

- **Other Debt / Equity**
  - IRS
    - Low Income Housing Tax Credits

- **PHA**
  - PHA Funds
  - PHA Affiliate
    - PHA Funds

- **Affiliated Non-Profit**
  - PHA Funds

- **Developer**
  - Managing General Partner
  - Developer (Owner Entity)

- **Partnership**
  - PHA Affiliate
  - Other Public Financing
  - Investors
  - Developer**

*PHA to include Affiliated Non Profit.
**Developer is Managing General Partner and Owner Entity
Which Units are Public Housing?

Mixed Finance Units

- Floating units—ACC units are not tied to a permanent physical address.
  - For example, a unit may house a Public Housing family one year and house a LIHTC family the next

- Based on the funding sources & parties involved, the development must maintain a specific number of units for each program type (ACC Units)

<table>
<thead>
<tr>
<th>Unit Mix</th>
<th>Units</th>
<th>1 br</th>
<th>2 br</th>
<th>3 br</th>
<th>4 br</th>
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<tbody>
<tr>
<td>Public Housing</td>
<td>110</td>
<td>12</td>
<td>34</td>
<td>53</td>
<td>11</td>
</tr>
<tr>
<td>LIHTC</td>
<td>80</td>
<td>6</td>
<td>34</td>
<td>36</td>
<td>4</td>
</tr>
<tr>
<td>Market Rate</td>
<td>70</td>
<td>15</td>
<td>33</td>
<td>22</td>
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<tr>
<td>Total Rental Units</td>
<td>260</td>
<td>33</td>
<td>101</td>
<td>111</td>
<td>15</td>
</tr>
</tbody>
</table>
Clarification of Project Definition

- **Project Definition 1 (required to be reported)**
  - Low rent & Capital Fund program funding
  - PIC number
  - Identifies ACC units
  - The “PHA transactions”

- **Project Definition 2 (FDS Reporting Varies)**
  - Mixed-finance development
  - Identifies both ACC and non-ACC units
  - Tied to physical building(s)
  - Usually legally-separate entity (not PHA)
  - This indicator is now hard-coded in PIC. This also applies to RAD projects.
Mixed Finance – FDS Reporting

Real Estate Assessment Center
Financial Assessment Subsystem (FASS-PH)

PHA Information
- PHA Code: CA027
- Fiscal Year End Date: 12/31/2015
- PHA Name: Housing Authority of the County of Riverside
- Submission Type: Audited / Single Audit
- Project Name: DESERT HOT SPRINGS APTS
- Project Status: Validated, Mixed Finance: Y

Income Statement - Project Program Listing

<table>
<thead>
<tr>
<th>CFDA #</th>
<th>Program Name</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.872</td>
<td>Public Housing Capital Fund Program</td>
<td>Validated</td>
</tr>
<tr>
<td>14.850</td>
<td>Low Rent Public Housing</td>
<td>Validated</td>
</tr>
</tbody>
</table>
### Example 1 – No Component Unit

#### Financial Data Schedule (FDS)

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Description</th>
<th>Total Projects</th>
<th>COCC</th>
<th>Housing Choice Voucher</th>
<th>Elimination</th>
<th>Total</th>
<th>Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>Total Assets</td>
<td>$10,100,000</td>
<td>$500,000</td>
<td>$10,000,000</td>
<td>$(500,000)</td>
<td>$20,100,000</td>
<td>$20,100,000</td>
</tr>
<tr>
<td>300</td>
<td>Total Liabilities</td>
<td>$500,000</td>
<td>$100,000</td>
<td>$200,000</td>
<td>$(500,000)</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>513</td>
<td>Total Equity/Net Assets</td>
<td>$9,600,000</td>
<td>$400,000</td>
<td>$8,000,000</td>
<td>-</td>
<td>$18,000,000</td>
<td>$18,000,000</td>
</tr>
</tbody>
</table>

#### Balance Sheet

- **Total Assets**: $10,100,000
- **Total Liabilities**: $500,000
- **Total Equity/Net Assets**: $9,600,000

#### Income Statement

- **Total Revenue**: $5,800,000
- **Total Expenses**: $4,700,000
- **Net Income**: $1,100,000
FDS Reporting – No Component Unit

- New project added to FDS
- Marked as mixed finance in PIC
- Revenue and expense associated mainly with the flow of Operating Subsidy (akin to a HAP payment)
- Unit information associated with ACC units only
- Balance sheet will be minimal - cash and investments, maybe notes / loans receivables
- No elimination entries
# Example 2 – Discretely Presented Component Unit

### Financial Data Schedule (FDS)

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Description</th>
<th>Total Projects</th>
<th>COCC</th>
<th>Housing Choice Voucher</th>
<th>Component Unit</th>
<th>Elimination</th>
<th>Total</th>
<th>Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>190</td>
<td>Total Assets</td>
<td>$ 10,100,000</td>
<td>$ 500,000</td>
<td>$ 10,000,000</td>
<td>$ 200,000</td>
<td>$ (500,000)</td>
<td>$ 20,300,000</td>
<td>$ 20,100,000</td>
</tr>
<tr>
<td>300</td>
<td>Total Liabilities</td>
<td>$ 500,000</td>
<td>$ 100,000</td>
<td>$ 200,000</td>
<td>$ 50,000</td>
<td>$ (500,000)</td>
<td>$ 350,000</td>
<td>$ 300,000</td>
</tr>
<tr>
<td>513</td>
<td>Total Equity/Net Assets</td>
<td>$ 9,600,000</td>
<td>$ 400,000</td>
<td>$ 8,000,000</td>
<td>$ 150,000</td>
<td>-</td>
<td>$ 18,150,000</td>
<td>$ 18,000,000</td>
</tr>
<tr>
<td>Income Statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70000</td>
<td>Total Revenue</td>
<td>$ 5,800,000</td>
<td>$ 1,000,000</td>
<td>$ 3,000,000</td>
<td>$ 2,000,000</td>
<td>$ (800,000)</td>
<td>$ 11,000,000</td>
<td>$ 9,000,000</td>
</tr>
<tr>
<td>90000</td>
<td>Total Expenses</td>
<td>$ 4,700,000</td>
<td>$ 900,000</td>
<td>$ 2,500,000</td>
<td>$ 1,500,000</td>
<td>$ (800,000)</td>
<td>$ 8,800,000</td>
<td>$ 7,300,000</td>
</tr>
<tr>
<td>10000</td>
<td>Net Income</td>
<td>$ 1,100,000</td>
<td>$ 100,000</td>
<td>$ 500,000</td>
<td>$ 500,000</td>
<td>-</td>
<td>$ 2,200,000</td>
<td>$ 1,700,000</td>
</tr>
</tbody>
</table>
FDS Reporting – Discretely Presented Component Unit

- Same as “No component unit” example
- New component unit column added to FDS
- Component unit column contains the balance sheet and income statement data for all units in the development (ACC and non-ACC units)
- Transactions between the project and component unit are shown as
  - Revenue and expense
  - Notes receivables and payables
  - Not operating transfers or due to/from
- No elimination entries
## Example 3 – Blended Component Unit (Business Activity)

### Financial Data Schedule (FDS)

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Description</th>
<th>Total Projects</th>
<th>COCC</th>
<th>Housing Choice Voucher</th>
<th>Business Unit</th>
<th>Elimination</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>190</td>
<td>Total Assets</td>
<td>$ 10,100,000</td>
<td>$ 500,000</td>
<td>$ 10,000,000</td>
<td>$ 200,000</td>
<td>$(500,000)</td>
<td>$ 20,300,000</td>
<td>$ 20,300,000</td>
</tr>
<tr>
<td>300</td>
<td>Total Liabilities</td>
<td>$ 500,000</td>
<td>$ 100,000</td>
<td>$ 200,000</td>
<td>$ 50,000</td>
<td>$(500,000)</td>
<td>$ 350,000</td>
<td>$ 350,000</td>
</tr>
<tr>
<td>513</td>
<td>Total Equity/Net Assets</td>
<td>$ 9,600,000</td>
<td>$ 400,000</td>
<td>$ 8,000,000</td>
<td>$ 150,000</td>
<td></td>
<td>$ 18,150,000</td>
<td>$ 18,150,000</td>
</tr>
<tr>
<td>Income Statement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70000</td>
<td>Total Revenue</td>
<td>$ 5,800,000</td>
<td>$ 1,000,000</td>
<td>$ 3,000,000</td>
<td>$ 2,000,000</td>
<td>$(1,600,000)</td>
<td>$ 10,200,000</td>
<td>$ 10,200,000</td>
</tr>
<tr>
<td>90000</td>
<td>Total Expenses</td>
<td>$ 4,700,000</td>
<td>$ 900,000</td>
<td>$ 2,500,000</td>
<td>$ 1,500,000</td>
<td>$(1,600,000)</td>
<td>$ 8,000,000</td>
<td>$ 8,000,000</td>
</tr>
<tr>
<td>10000</td>
<td>Net Income</td>
<td>$ 1,100,000</td>
<td>$ 100,000</td>
<td>$ 500,000</td>
<td>$ 500,000</td>
<td></td>
<td>$ 2,200,000</td>
<td>$ 2,200,000</td>
</tr>
</tbody>
</table>
FDS Reporting – Blended Component Unit

● Same as “Discretely Presented Component Unit” example except:
  ■ The component unit will be reported in the blended component unit column of the FDS
  ■ New project added to FDS (subsidy flow)
  ■ Use when the mixed finance project is:
    ♦ Determined to be a blended component unit
    ♦ Where *some* of the units in the development are not ACC units

● Elimination entries required
## Financial Data Schedule (FDS)

### Balance Sheet

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Description</th>
<th>Total Projects</th>
<th>COCC</th>
<th>Housing Choice Voucher</th>
<th>Elimination</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>Total Assets</td>
<td>$10,200,000</td>
<td>$500,000</td>
<td>$10,000,000</td>
<td>($500,000)</td>
<td>$20,200,000</td>
<td>$20,200,000</td>
</tr>
<tr>
<td>300</td>
<td>Total Liabilities</td>
<td>$550,000</td>
<td>$100,000</td>
<td>$200,000</td>
<td>($500,000)</td>
<td>$350,000</td>
<td>$350,000</td>
</tr>
<tr>
<td>513</td>
<td>Total Equity/Net Assets</td>
<td>$9,650,000</td>
<td>$400,000</td>
<td>$8,000,000</td>
<td>$-</td>
<td>$18,050,000</td>
<td>$18,050,000</td>
</tr>
</tbody>
</table>

### Income Statement

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Description</th>
<th>Total Revenue</th>
<th>COCC</th>
<th>Housing Choice Voucher</th>
<th>Elimination</th>
<th>Total Revenue</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>70000</td>
<td>Total Revenue</td>
<td>$7,000,000</td>
<td>$1,000,000</td>
<td>$3,000,000</td>
<td>($800,000)</td>
<td>$10,200,000</td>
<td>$10,200,000</td>
</tr>
<tr>
<td>90000</td>
<td>Total Expenses</td>
<td>$5,500,000</td>
<td>$900,000</td>
<td>$2,500,000</td>
<td>($800,000)</td>
<td>$8,100,000</td>
<td>$8,100,000</td>
</tr>
<tr>
<td>10000</td>
<td>Net Income</td>
<td>$1,500,000</td>
<td>$100,000</td>
<td>$500,000</td>
<td>$-</td>
<td>$2,100,000</td>
<td>$2,100,000</td>
</tr>
</tbody>
</table>
The mixed-finance project should be reported as a “typical conventional project.”
- All units are reported
- All revenue and expenses are reported
- “Full” balance sheet

Use when the mixed-finance project is:
- Determined to be a blended component unit;
- All of the units in the mixed finance project are ACC units

Marked as mixed finance in PIC
No elimination entries
Public Housing Reporting
Revenue and Expenses
Management Fees

- July 2014 – Latest changes made to FDS lines:
  - 70750-010 – From PHA administered program (only for COCC)
  - 70750-020 – From 3rd party / outside entity (only for COCC)
  - 91300-010 – To PHA administered program
  - 91300-020 – To a 3rd party / outside entity
Fee Revenue Reconciliation

- REAC is now monitoring and calculating fees reported by a PHA that has implemented the asset management model.
- Upon the discovery of a fee above the maximum amount allowed, the FASS-PH system will send a fee alert letter to the Field Office for follow up.
- Both the Public Housing projects and HCV programs will be analyzed.
- The reconciliation currently does not take into account rounding for the calculation of fees, especially bookkeeping fees due to the “.50” nature.
- It is recommended that bookkeeping fees be rounded down in order to prevent a fee alert letter being generated.
Allocated Overhead

- Allocated overhead (FDS line 91820)
  - Required to be used by any PHA with over 400 public housing units where a PHA allocates costs instead of using a fee-for-service approach.
  - Activities that must be accounted for in this line item are determined by HUD.
  - This line item along with other allowed allocations will be discussed in the COCC section of this course.
Maintenance Contracts

- Maintenance Contracts (FDS line 94300)
  - 12 maintenance contract FDS line items
  - Record contract expenses with third-party vendors
  - Record frontline services for centralized maintenance charges to the project under a fee-for-service methodology
Other General Expenses (FDS line 96200)

- This account is used by PHAs to represent the cost of all items of general expense.
- These expenses are typically not part of routine administrative expenses and would not be appropriately recorded in FDS line 91900 (Other administrative expense).
Examples include:

- Payments to developers for mixed financing transactions and ongoing subsidy
- Amount of energy savings earned by the COCC as a result of a HUD-approved energy performance contract
- Expenses arising from personal injury and damages to property and the loss of cash and/or securities resulting from robbery or theft that are not considered fraud-related
- Unaccountable differences in inventories of materials, supplies, and expendable equipment
Other General Expenses, cont'd.

- Examples cont'd:
  - Fiscal agent fees and fees paid to collection agents other than attorneys incurred in connection with the collection of amounts due from tenants but are not chargeable to tenants
  - Fines and penalties imposed by the federal, state or local government.
    - Caution should be exercised in expensing fines and penalties to federal awards, as these items are typically considered to be ineligible.
    - This category was added in order to accommodate the recording of fines and penalties expense to an appropriate funding source.
  - Costs of FASB 5 Contingency claim
Extraordinary Maintenance

- Extraordinary maintenance (FDS line 97100)
  - Extraordinary maintenance represents costs that are unforeseen and highly unusual in nature.
  - These costs represent items that were not anticipated prior to the start of the fiscal year.
  - The costs do not meet the GAAP definition of being capitalized.
Public Housing Reporting
Transfers and Due To / From
Operating Transfers

● FDS has four types/sets of operating transfers:
  ■ Operating Transfer In/Out
  ■ Inter-Project Excess Cash Transfer In/Out
  ■ Transfers between Programs and Projects In/Out
  ■ Other Operating Transfers:
    ◆ From/To Primary Government
    ◆ From/To Component Unit

● Erroneous reporting may cause HUD to initially determine that the PHA is not in compliance with financial management regulations
Operating Transfer In/Out

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out

Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Project Total</th>
<th>Low Rent</th>
<th>Capital Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>70600 HUD PHA Operating Grants</td>
<td>$200,000</td>
<td></td>
<td>$200,000</td>
</tr>
<tr>
<td>70610 Capital Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10010 Operating Transfer In</td>
<td>$200,000</td>
<td>$200,000</td>
<td></td>
</tr>
<tr>
<td>10020 Operating Transfer Out</td>
<td>($200,000)</td>
<td></td>
<td>($200,000)</td>
</tr>
</tbody>
</table>
Operating Transfer In/Out

- FDS Line 10010 – Operating Transfer In
- FDS Line 10020 – Operating Transfer Out

Report transfers of Capital Fund grant revenue to the Low Rent column of the project income statement.

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Program Total</th>
<th>HCV</th>
<th>COCC</th>
</tr>
</thead>
<tbody>
<tr>
<td>10010 Operating Transfer In</td>
<td>$100,000</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>10020 Operating Transfer Out</td>
<td>($100,000)</td>
<td></td>
<td>($100,000)</td>
</tr>
</tbody>
</table>
Inter-Project Excess Cash Transfer

- FDS Line 10091 – Inter-Project Excess Cash Transfer In
- FDS Line 10092 – Inter-Project Excess Cash Transfer Out

Report transfers from one project to another (only used by PHAs with multiple projects)

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Project Total</th>
<th>Project 1</th>
<th>Project 2</th>
<th>Project 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>10091</td>
<td>$100,000</td>
<td>$75,000</td>
<td>$25,000</td>
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</tr>
<tr>
<td>10092</td>
<td>($100,000)</td>
<td></td>
<td></td>
<td>($100,000)</td>
</tr>
</tbody>
</table>
Transfers Between Programs and Projects

- FDS Line 10093 – Transfer Between Programs and Projects In
- FDS Line 10094 – Transfer Between Programs and Projects Out
  - Report funds transferred out or received by a project from another program, including the COCC
  - Not used to report Management Fees paid to the COCC

<table>
<thead>
<tr>
<th>FDS Line Item</th>
<th>Project - Income Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>10093 Transfers between Program and Project - In</td>
<td>Project Total: $75,000</td>
</tr>
<tr>
<td>10094 Transfers between Project and Program - Out</td>
<td>($75,000)</td>
</tr>
</tbody>
</table>
FDS Reporting Issues

- Other Operating Transfers:
  - FDS Line 10030 – Operating Transfers From/To Primary Government
  - FDS Line 10040 – Operating Transfers From/To Component Unit
    - Positive amounts represent transfers in
    - Negative amounts represent transfers out
Inter-program Due From/Due To

- FDS line 144 (Inter-program – due from) and FDS line 347 (Inter-program – due to) represent amounts due from or to other PHA projects, programs, and funds
  - FDS line 144 (Inter-program – due from) represents inter-program transactions resulting in a decrease of expendable resources of the transferring PHA program and funds that are expected to be repaid “within a reasonable time.”
  - FDS line 347 (Inter-program – due to) represents inter-program transactions resulting in an increase of expendable resources of the receiving PHA program and funds, which are expected to be repaid “within a reasonable time.”
  - HUD Accounting Brief #14, instructs PHAs to offset any balances on FDS lines 144 & 347 against cash, unless it results in having a negative cash balance.
• Repayment should typically not exceed the annual operating cycle.

• For year-end reporting, the cash and investment balances that are maintained in a revolving or working capital account must be:
  - Disaggregated
  - Reconciled
  - Settled prior to closing the books

• Funds are normally not fungible between different federal programs regardless of the nature of the transfer or receivable.

• Inappropriate use of funds, even a temporary loan, are ineligible costs resulting in non-compliance.
Public Housing Reporting
Memo Accounts
Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by the Operating Fund program.

Capital costs funded by reserves, Operating Fund program income, ESCOs, insurance proceeds, etc. are reported in the income statement of the Operating Fund program.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>11610</td>
<td>Land Purchase</td>
</tr>
<tr>
<td>11620</td>
<td>Building Purchase</td>
</tr>
<tr>
<td>11630</td>
<td>Furniture and Equipment – Dwelling Purchases</td>
</tr>
<tr>
<td>11640</td>
<td>Furniture and Equipment – Administrative Purchases</td>
</tr>
<tr>
<td>11650</td>
<td>Leasehold Improvement Purchases</td>
</tr>
<tr>
<td>11660</td>
<td>Infrastructure Purchases</td>
</tr>
</tbody>
</table>
Capital Activity Memo Accounts

- Memorandum accounts are used to record capitalized costs incurred in the current fiscal year that were funded by either the Operating Fund Program or Capital Fund Program.

- These memo accounts are required and are intended to provide additional information on the use of low rent program funds for non-operating expenses (capitalized expenditures) incurred during the reporting period.
Capital Activity Memo Accounts

- FDS Memo account line 11020
  - The FDS line represents the required debt principal payments during the reporting financial year, regardless of whether or not the actual payment has been made.
Units Leased Accounts (FDS Lines 11190 & 11210)

- Units leased reported on the Financial Data Schedule has gained more significance due to the points earned on the occupancy sub-indicator on the MASS indicator.
  - Remember to exclude from units available, and HUD allowable vacancies.

- Units leased is also used in the calculation of your operating subsidy.

- Units leased are used to calculate management and bookkeeping fees.
  - As a qualitative measurement, units leased should be analyzed.
Conclusion

● Thoughts?

● Questions?

● Comments?