

CHAPTER 2. CLASSIFICATION AND DESCRIPTION OF ACCOUNTS

6. CLASSIFICATION OF ACCOUNTS. These are the accounts prescribed for the classification of transactions in connection with the PHA's administration of Housing Assistance Payment Program projects (Section 8 and Section 23) pursuant to the provisions of the Annual Contributions Contract. Unless otherwise specified, all accounts will apply to both Section 8 and Section 23 programs.

a. Assets

Cash

1111.1 General Fund

1117 Petty Cash Fund

Accounts Receivable

1125 HUD

1127 Advance for Security and Utility Deposits 1/

1129 Other

Advances

1156 Unlimited Revolving Fund

1157 Other

Investments

1162 General Fund

Deferred Charges

1211 Prepaid Insurance

1290 Other

Property Assets

1400.4 Land, Structures, and Equipment

Undistributed Debits

1620 Ineligible Expenditures

1 Applicable only to Section 23 HAP projects.

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b. Liabilities and Surplus.

Accounts Payable

2111 Vendors and Contractors
2117 Payroll Deductions and Contributions
2118 HUD
2119 Other

Accrued Liabilities

2135 Salaries and Wages
2139 Other

Trust and Deposit Liabilities

2168 Annual Contribution for Security and Utility
Deposits 1

Deferred Credits

2210 Prepaid Annual Contributions
2290 Other

Undistributed Credits

2690 Undistributed Credits

Surplus

2810 Unreserved Surplus
2825 Reserved Surplus - Contingency Reserve - Unfunded
Section 23 HAP
2826 Reserved Surplus - Operating Reserve - HAP Projects
2827 Reserved Surplus - Project/ACC Reserve Account
- Unfunded - Section 8 HAP
2840 Cumulative HUD Annual Contributions

1 Applicable only to Section 23 HAP Projects

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2850 Cumulative Donations

c. Income.

3000 Income (Control)

* 3300 Interest on Reserved Surplus Operating Reserve
- HAP Projects *

Subsidiary Accounts to Account 3000, Income (Control)

3610 Interest on General Fund Investments

3690 Other Income

d. Expenses.

4000 Expenses (Control)

Subsidiary Accounts to Account 4000, Expenses (Control)

4010 Preliminary Administrative Expense - Prior to ACC

4012 Preliminary Administrative Expense - After ACC

4110 Administrative Salaries

4130 Legal Expense

4150 Travel

4170 Accounting and Auditing Fees

4180 Office Rent

4190 Sundry Administrative Expense

4400 Maintenance and Operation (Nonexpendable Equipment
Only)

4510 Insurance Expense

4530 Terminal Leave Payments

4540 Employee Benefit Contributions
4590 Other General Expense
4715 Housing Assistance Payments

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Surplus Credits and Charges

* 6010 Prior Year Adjustments - Affecting Residual Receipts *
or Prior Year Adjustments - Affecting Deficit

6120 Gain or Loss From Disposition of Nonexpendable
Equipment

Provision for Reserves

7016 Provision for Operating Reserve - HAP Projects

7025 Provision for Contingency Reserve - Section 23 HAP
Projects

7027 Provision for Project/ACC Reserve Account
- Section 8HAP Projects

Operating Expenditures for Property

7520 Replacement of Nonexpendable Equipment

7530 Receipt From Nonexpendable Equipment Not Replaced

7540 Property Betterments and Additions

7590 Operating Expenditures for Property - Contra
Annual Contributions Earned

8026 Annual Contributions Earned - HAP Projects

7. DESCRIPTION OF ACCOUNTS.

A. Assets.

1111.1 Cash - General Fund. The debit balance of this account represents General Fund cash on deposit or to be deposited with a bank or banks which are covered by a General Depositary Agreement, for the administration of

projects in accordance with an ACC with HUD.

1117 Cash - Petty Cash Fund. The debit balance of this account represents the amount of cash set aside, not in excess of the amount authorized by PHA resolution, as an imprest fund for the payment of minor expenses.

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- 1125 Accounts Receivable - HUD. The debit balance of this account represents amounts due from HUD.
- 1127 Accounts Receivable - Advances for Security and Utility Deposits. The debit balance of this account represents the unpaid balances of security and utility deposits advanced by the PHA on behalf of Families participating in the Section 23 HAP program. This account shall be supported by a subsidiary ledger showing the balance due from each Family. A separate subsidiary ledger shall be maintained for each project.
- 1129 Accounts Receivable - Other. The debit balance of this account represents accounts receivable due from others than HUD or Families for advances made for security and utility deposits. This account shall be subdivided or a subsidiary ledger shall be maintained to segregate the amount due from each debtor.
- 1156 Advances - Unlimited Revolving Fund. The debit balance of this account represents the amount advanced to a revolving fund, which is covered by a General Depositary Agreement, for the purpose of payment of items chargeable to any or all projects or enterprises of the PHA.
- 1157 Advances - Other. This account shall be debited with the amount advanced from the General Fund to a "Master Account" for the purpose of payment of items chargeable to any or all projects or enterprises of the PHA. This account shall also be debited with the amount advanced from the General Fund to a State agency or to a special account as security for payment of FICA taxes, when required by State law, and with the amount of other advances for which no specific account is provided. This account shall be subdivided to segregate the advances made for different purposes.
- 1162 Investments - General Fund. This account shall be debited with the cost of securities purchased from monies

on deposit in the General Fund, with the amount of such funds deposited in time or savings accounts and with

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the interest earned on time or savings accounts at the time such interest is credited to the account by the depository. For purposes of this description, the "cost" of securities includes brokerage, fees, and other costs of acquisition plus premiums paid or less discounts received but excludes accrued interest at date of purchase. This account shall be credited with the cost of securities sold and with the amount withdrawn from time and savings accounts.

1211 Deferred Charges - Prepaid Insurance. The debit balance of this account represents the unexpired portion of stock and mutual company insurance premiums. Prior to the end of the fiscal year, an adjusting entry shall be made to transfer the cost of insurance expired to the appropriate expense account.

1290 Deferred Charges - Other. The debit balance of this account represents the amount of prepaid expenses other than prepaid insurance.

1400.4 Land, Structures, and Equipment. This account shall be debited with the acquisition cost of nonexpendable equipment and property betterments and additions. The cost of property purchased from cash donations and the value of donations in kind shall also be charged to this account and credited to Account 2850, Cumulative Donations. This account shall be supported by a property ledger.

1620 Undistributed Debits - Ineligible Expenditures. The debit balance of this account represents the amount of expenditures which have been determined by HUD to be ineligible pending settlement or determination of responsibility.

b. Liabilities and Surplus.

2111 Accounts Payable - Vendors and Contractors. The credit balance of this account represents amounts payable on open accounts including contract billings for housing assistance payments rendered by housing owners. A

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subsidiary ledger shall be maintained to identify the accounts payable to vendors and contractors.

- 2117 Accounts Payable - Payroll Deductions and Contributions. The credit balance of this account represents the amount of payroll deductions and contributions which have not been disbursed and applied to the purpose for which such deductions and contributions were made. This account shall include payroll deductions for income taxes, FICA taxes, unemployment insurance taxes, pension funds and deductions for purchase of U.S. Savings Bonds, etc. It shall also include employer contributions for pension funds, FICA taxes, unemployment insurance taxes, etc. This account may be subdivided for the purpose of maintaining separate accounts for each classification of payroll deduction and contribution.
- 2118 Accounts Payable - HUD. This account shall be credited with any amounts which become due and payable to HUD with respect to projects under an ACC.
- 2119 Accounts Payable - Other. The credit balance of this account represents sundry payable items not applicable to other specific accounts.
- 2135 Accrued Liabilities - Salaries and Wages. The credit balance of this account represents the amount of salaries and wages accrued and unpaid.
- 2139 Accrued Liabilities - Other. The credit balance of this account represents the amount of accrued liabilities not applicable to other specific accounts.
- 2168 Trust and Deposit Liabilities - Annual Contributions for Security and Utility Deposits. This account shall be credited with annual contribution payments received from HUD which are to be used exclusively for making advances on behalf of eligible Families for security and utility deposits in Section 23 HAP Projects. This account shall be debited (and Account 1127 credited) with the unpaid balances of accounts due from Families on account of

advances for security and utility deposits which are subsequently determined to be uncollectible after all means of collection have been exhausted. The amounts charged to this account as uncollectible shall be approved by resolution of the Board of Commissioners or by a designated official to whom such authority has been delegated by resolution of the Board of Commissioners. A separate account shall be maintained for each Section 23 HAP project, and the account for each such project shall be subdivided as follows:

Account 2168.1, Security and Utility Deposit Funds Provided. The credit balance of this subaccount represents total annual contribution payment received from HUD to be used exclusively for making advances on behalf of eligible Families for security and utility deposits.

Account 2168.2, Security and Utility Deposits - Uncollectible Advances. The debit balance of this account represents the aggregate amount of unrecovered advances for security and utility deposits which have been written off as uncollectible.

2210 Deferred Credits - Prepaid Annual Contributions. This account shall be credited (and Account 1111.1 debited) with the amount of partial payments received from HUD on account of the annual contributions for HAP projects and with the amount of advances, if any, received from HUD on account of other annual contributions for which the PHA is eligible. At the end of each fiscal year, this account shall be debited (and Account 8026 credited) with the amount of annual contributions earned during the fiscal year. At the end of each fiscal year this account shall be credited (and Account 1125 debited) with the excess of the amount of annual contributions earned over the amount of partial payments received for the year. If partial payments received for the fiscal year exceeds the amount of the earned annual contributions, this account shall be debited (and Account 2118 credited) with the amount of unearned annual contributions to be refunded to HUD.

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- 2290 Deferred Credits - Other. The credit balance of this account represents sundry receipts which are applicable to a future period.
- 2690 Undistributed Credits. The credit balance of this account represents sundry receipts, the nature of which cannot be immediately identified pending distribution to the appropriate account or accounts. The credits to this account shall be distributed immediately upon determination of the account or accounts to which such credits are applicable. In any event, all credits to this account must be distributed prior to the end of the fiscal year.
- 2810 Surplus - Unreserved Surplus. The credit or debit balance of this account represents the amount of surplus (or deficit) from the administration of the HAP projects. At the close of each fiscal year, the balances of the accounts in the 3000, 4000 groups of accounts and the balances in Accounts 6120, 7016, 7025, and 7027, shall be closed into this account.
- 2825 Reserved Surplus - Contingency Reserve - Unfunded - Section 23 HAP. This account shall be credited (and Account 7025 debited) with the amount of the annual contribution approved by HUD for the contingency reserve pursuant to Section 1.3(c) of the Annual Contributions Contract. If the amount of the annual contribution required for any fiscal year exceeds the maximum annual contribution stated in Section 1.3a of the Annual Contributions Contract, the amount of the excess, to the extent approved by HUD, shall be debited to this account (and credited to Account 7025), provided such excess does not exceed the credit balance in this account. A separate account shall be maintained for each project.
- 2826 Reserved Surplus - Operating Reserve - HAP Projects. This account shall be credited (and Account 7016 debited) with the amount by which total project receipts of the HAP projects exceed the total expenditures for the administration of such projects for the fiscal year. If the total expenditures exceed the total project receipts for a fiscal year, the amount of the excess (deficit) shall be debited to this account (and Account 7016 credited), to the extent of the credit balance in this account. The credit balance in this account shall
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be available for use by the PHA for projects other than HAP projects and for other enterprises of the PHA. If this reserve is used for purposes not related to the HAP projects, this account shall be debited (and Account 1111.1 credited) for the amount of cash withdrawn for such other purposes.

* Not less than once each quarter, this account shall be credited (Account 3300 debited) with investment income on Operating Reserve funds. *

2827 Reserved Surplus - Project/ACC Reserve Account Unfunded - Section 8 HAP Projects. This account shall be credited (and Account 7027 debited) with the amount of the annual contributions approved by HUD for the Project/ACC Reserve Account pursuant to the Annual Contributions Contract. If the amount of the annual contributions required for any fiscal year exceeds the maximum annual contributions set forth in the Annual Contributions Contract, the amount of the excess, to the extent approved by HUD, shall be debited to this account (and credited to Account 7027), provided such excess does not exceed the credit balance in this account. A separate account shall be maintained for each Section 8 project under an Annual Contribution Contract. See Chapter 1, paragraph 3, for definition of project.

2840 Surplus - Cumulative HUD Annual Contributions. The credit balance of this account represents the cumulative amount of annual contributions made available by HUD with respect to all HAP projects under Annual Contributions Contracts.

2850 Surplus - Cumulative Donations. The credit balance of this account represents cash donated and the reasonable value of property donated to the project, as determined by the PHA with the approval of HUD.

c. Income.

* 3000 Income (Control). This account shall be credited with the aggregate amount of income derived from all sources for the administration of the project and shall control the detail entries recorded in accounts 3610 and 3690, subsidiary income accounts. *

* 3300 Interest on Reserved Surplus - Operating Reserve HAP Projects. This account shall be credited with interest income on Operating Reserve funds, including interest on time and savings accounts. This account shall also be credited with any gain and debited for any loss on securities sold. The gain or loss represents the difference between the total cost of securities sold, exclusive of accrued interest at the date of purchase and the net amount received from the sale of such securities, exclusive of accrued interest at the date of the sale. For purpose of determining the gain or loss on the sale of securities, "cost" includes brokerage and costs of acquisition, plus any premium paid or less any discount received at time of purchase of the securities. Not less than once each quarter, this account shall be debited (and Account 2826 credited) for the investment income received. Separate accounts shall be maintained for each HAP project under an Annual Contributions Contract. See Chapter 1, paragraph 3, for definition of a project. This account is not a subsidiary to Account 3000. *

Subsidiary Accounts to General Ledger Account 3000, Income (Control)

* 3610 Interest on General Fund Investments. This account shall be credited with interest on General Fund investments (except for interest on operating reserve funds, which shall be credited to account 3300), including interest on time and savings accounts. This account shall also be credited with any gain and debited for any loss on securities sold. The gain or *

loss represents the difference between the total cost of securities sold, exclusive of accrued interest at the

date of purchase and the net amount received from the sale of such securities, exclusive of accrued interest at the date of sale. For purpose of determining the gain or loss on the sale of securities, "cost" includes brokerage and costs of acquisition, plus any premium paid or less any discount received at time of purchase of the securities. Separate accounts shall be maintained for each HAP project under an Annual Contributions Contract. See Chapter 1, paragraph 3, for definition of project.

3690 Other Income. This account shall be credited with income from the administration of the project which cannot be otherwise classified. Separate accounts shall be maintained for each HAP project under an Annual Contributions Contract. See Chapter 1, paragraph 3, for definition of project.

d. Expenses.

4000 Expenses (Control). This account shall be charged with the aggregate amount of all expenses incurred in the administration of the project and shall control the detail entries recorded in the 4000 group of subsidiary expense accounts.

Subsidiary Accounts to General Ledger Account 4000, Expenses (Control).

4010 Preliminary Administrative Expense-Prior to ACC. This account shall be charged with administrative expense incurred by the PHA prior to the execution of the Annual Contributions Contract to the extent approved by HUD. This account shall be limited to PHA direct expenses and shall not include any PHA overhead expense. This account shall be subdivided to classify administrative expense as follows:

4010/4110 Administrative Salaries
4010/4130 Legal Expense
4010/4150 Travel
4010/4190 Sundry Administrative Expense
4010/4540 Employee Benefit Contributions

Separate accounts shall be maintained for each project.

4012 Preliminary Administrative Expense - After ACC. 1/
With respect to all New Construction and Substantial
Rehabilitation projects, this account shall be
charged with the administrative expenses incurred
by the PHA during the period commencing on the date
the Annual Contributions Contract (Part 1) is
executed and ending on the last day of the month
preceding the beginning of the first fiscal year
for the project. 2/ For the PHA's Section 8
Existing program, this account shall be charged
with the preliminary expenses incurred by the PHA
and approved by HUD, for the period commencing on
the date the Annual Contributions Contract is
executed. No costs shall be charged to this
account after the term of the approved leasing
schedule has ended. (See Paragraph 4-9b of Handbook
7420.3 REV.)

This account shall be subdivided to classify these
preliminary administrative expenses as follows:

4012/4110 Administrative Salaries
4012/4130 Legal Expense
4012/4150 Travel
4012/4170 Accounting and Auditing Fees
4012/4180 Office Rent
4012/4190 Sundry Administrative Expense
4012/4400 Maintenance and Operation
(Nonexpendable equipment only)
4012/4510 Insurance
4012/4540 Employee Benefit Contributions
4012/4590 Sundry General Expense

4110 A separate account shall be maintained for each
project.

Administrative Salaries. This account shall be
charged with gross salaries earned by PHA personnel
engaged in administrative work.

1/ This account shall not be used for Section 23 Existing
projects.

2/ The first fiscal year begins on the effective date of the
HAP Contract.

- 4130 Legal Expense. This account shall be charged with retainers and fees paid to attorneys for legal services relating to the PHA's administration of the projects. This account shall be charged with the gross salaries or applicable portion thereof earned by staff attorneys for legal work relating to the administration of the projects.
- 4150 Travel. This account shall be charged with travel expenses of officials and employees of the PHA traveling on official business in connection with HAP projects.
- 4170 Accounting and Auditing Fees. This account shall be charged with fees to accountants or computer service firms for maintenance of the PHAs books of account and fees to independent public accountants for periodic audit of the PHA's books of account.
- 4180 Office Rent. This account shall be charged with the rent of office space leased for the administration of the HAP program, including the cost of utilities and janitorial services provided for such space. If the office space leased by the PHA is used for any program other than the HAP program, then the HAP program shall only be charged with its allocable share of the cost. If the PHA is utilizing facilities for the administration of its HAP program which are a part of the PHA's other low-income housing program, this account shall be charged with a reasonable amount, as determined by the PHA, which is sufficient to cover the costs of maintenance, utilities, etc., of the space provided for use in administering the PHA's HAP program.
- 4190 Sundry Administrative Expense. This account is provided for recording the cost of all items of administrative expense for which no specific account is prescribed in the 1400 group of accounts.
- 4400 Maintenance and Operation (Nonexpendable Equipment Only). This account shall be charged with the costs incurred for maintenance and repair of office furniture

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and equipment and with the maintenance and operating cost of automobiles, if any, being used in connection

with the PHA's HAP program.

- 4510 Insurance. This account shall be charged with the applicable amount of all insurance and fidelity bond premiums, including workmen's compensation insurance.
- 4530 Terminal Leave Payments. This account shall be charged with payments to employees for unused leave, pursuant to the PHA's established personnel policy, due upon termination of employment with the PHA.
- 4540 Employee Benefit Contributions. This account shall be charged with the PHA's contributions to employee benefit plans such as pension, retirement, and health and welfare plans. It shall include employer contributions for FICA taxes, unemployment insurance, taxes, etc.
- 4590 Other General Expense. This account is provided for recording costs of all items of general expense for which no specific account is provided in this 4500 group of account.
- 4715 Housing Assistance Payments. This account shall be charged with housing assistance payments paid or accrued to the owners of dwelling units leased to eligible families and for housing assistance payments paid or accrued to owners for vacancies during and after rent-up pursuant to the provisions of the Housing Assistance Payments Contract with the PHA and the owner. This account shall also be charged with housing assistance payments paid or accrued to owners for reimbursement, pursuant to the Housing Assistance Payment Contract, of any unpaid rent or damage caused by the tenant.

e. Surplus Credits and Charges.

- * 6010 Prior Year Adjustments - Affecting Residual Receipts or Prior Year Adjustments - Affecting Deficit. This account shall be debited or credited, as applicable, for adjustments affecting the income or expense accounts (accounts in the 3000 and 4000 group except account 3600) of a prior year for on-going administration cost and preliminary cost. This account should be maintained to differentiate the adjustments to preliminary cost and the adjustments to on-going cost. A separate Account 6010 shall be maintained for each project or each group of projects for which a separate Form *

* HUD-52682, Statement of Operating Receipts and Expenditures, is required. *

6120 Gain or Loss From Disposition of Nonexpendable Equipment. This account shall be used to record the gain or loss from the disposition of nonexpendable equipment purchased from project receipts of a HAP project. The amount to be recorded as a gain or loss will be the difference between the acquisition cost of the item disposed of and the proceeds derived from disposition.

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amount to be recorded as a gain or loss will be the difference between the acquisition cost of the item disposed of and the proceeds derived from disposition.

f. Provision for Reserves.

7016 Provision for Operating Reserve - HAP Projects. This account shall be debited (and Account 2826 credited) with the net income from the administration of HAP projects. If at the end of the fiscal year, there is an operating deficit this account shall be credited (and Account 2826 debited) with the amount of such deficit to the extent of the credit balance in Account 2826. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus. A single account shall be maintained for all HAP projects.

7025 Provision for Contingency Reserve - Section 23 HAP Projects. This account shall be debited (and Account 2825 credited) with the amount of the annual contribution approved by HUD for the reserve pursuant to Section 1.3(c) of the Annual Contributions Contract. If the amount of the annual contribution required for any fiscal year exceeds the maximum annual contribution stated in Section 1.3a of the Annual Contributions Contract, the amount of the excess, to the extent approved by HUD, shall be credited to this account (and debited to Account 2825), to the extent of the credit balance in Account 2825. At the close of each fiscal year, the balance in this account shall be transferred to Account

2810, Unreserved Surplus. A separate account shall be maintained for each Section 23 HAP project.

7027 Provision for Project/ACC Reserve Account - Section 8 HAP Projects. This account shall be debited (and Account 2827 credited) with the amount of annual contributions approved by HUD, for the reserve, pursuant to the Annual Contributions Contract. If the amount of the annual contribution required for any fiscal year exceeds the maximum annual contribution available under the ACC, the amount of such excess, to the extent approved by HUD,

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shall be credited to this account (and debited to Account 2827), to the extent of the credit balance in Account 2827. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus. Separate accounts shall be maintained for each Section 8 project under an Annual Contributions Contract. See Chapter 1, paragraph 3, for definition of project.

g. Operating Expenditures For Property. These memorandum accounts are provided for the purpose of accumulating, throughout the fiscal year, the operating receipts and expenditures arising from the disposition or acquisition of nonexpendable equipment which is purchased specifically for use in the administration of the PHA's HAP program as approved by HUD. Separate accounts shall always be maintained by project.

7520 Replacement of Nonexpendable Equipment. This account shall be debited with the acquisition cost of nonexpendable equipment purchased as a replacement of substantially the same kind. This account shall be credited with the trade-in allowance or the proceeds from sale of equipment being replaced, if any. This account shall not be credited with the proceeds from disposition of nonexpendable equipment which is not to be replaced or if the replacement constitutes a property betterment or addition (see description of Accounts 7530 and 7540).

7530 Receipts From Nonexpendable Equipment Not Replaced. This account shall be credited with the proceeds from disposition of nonexpendable equipment which is not to be replaced.

7540 Property Betterments and Additions. This account shall be debited with the acquisition cost of capitalized property classified as a property betterment or addition. "Acquisition Cost" means the cost of expendable and nonexpendable equipment, and contract costs incurred in connection with the betterment or addition. This account shall be credited with the proceeds from sale of salvage materials, or the proceeds, including trade-in allowances, from sale of nonexpendable equipment, disposed of in connection with a property betterment or addition, the cost of which is charged to this account.

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7590 Operating Expenditures for Property-Contra. This account shall be debited or credited as an offsetting entry to every credit or debit entry made to any other one of this group of accounts. The debit or credit balance of this account shall, at all times, be equal to the net amount of the credit and debit balances in the other accounts of this group. After preparation of all financial reports at the end of each fiscal year, the balances in Accounts 7520, 7530, and 7540 shall be closed out against this account.

h. Annual Contributions Earned.

8026 Annual Contributions Earned - HAP Projects. This account shall be credited (and Account 2210 debited) with the amount of annual contributions earned with respect to each HAP project. Annual contributions earned represent the sum of the amounts paid or payable for housing assistance payments, administrative fee, and for such other purposes as specifically approved by HUD, less the total of all project receipts, if any, such as interest on general fund investment, other income, and receipts from non-expendable equipment not replaced. At the close of each fiscal year, the credit balance in this account shall be transferred to Account 2840, Surplus-Cumulative HUD Annual Contributions. A separate account shall be maintained for each project and shall be maintained in such a way that the annual contributions earned for Housing Assistance Payments, Preliminary Costs and the Administrative Fee can be determined at any time.

8-9. RESERVED.