

Presenter: Allison Dahl

BASICS OF FINANCIAL REPORTING

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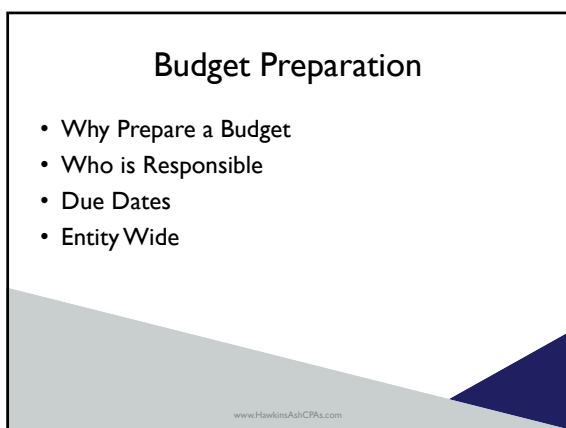
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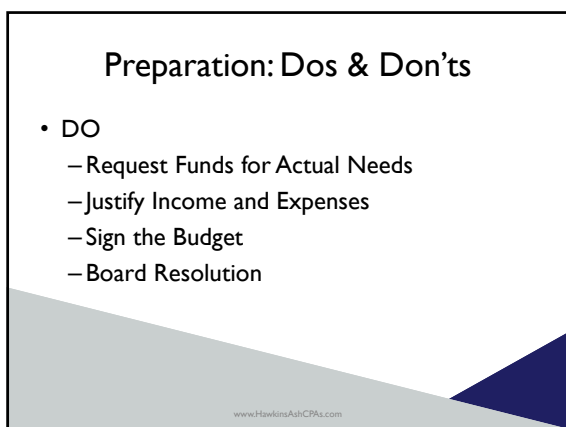
Agenda

- Budgets
- Financial Statements
- REAC Submissions
- PHAS Scoring

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Preparation: Dos & Don'ts continued

- Don't
 - Copy last year's budget
 - Budget for funds in accounts where actual expenditures are not made
 - Increase all items by one certain percentage figure

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Forms

- Budget
 - In-House Budget
 - Asset Management Website
 - Budget Tool
- Board Resolution
 - HUD 52574

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General Information

See Budget PDF (saved to portal or can email for copy)

- Housing Authority Name
- Fiscal Year End
- AMP Information
 - Project Names
 - Family or Elderly
 - Scattered Site
 - Age/Year Built
 - Recently Renovated

Units
Average Bedroom Size
Occupancy
Number of Turnovers

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Revenue Justification

- Dwelling Rental
- Excess Utilities
- Nondwelling Rental
- Interest on Investments
- Other Income
- Operating Subsidy
- Money from CFP

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Administrative Expenses

- Admin Salaries/CFP Salaries
- Admin Benefits
- Admin Expenses other than Salary
- CFP Management Improvements

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Tenant Services

- Salaries
- Recreation, Publications and Other Services
- Contract Cost, Training and Other
- Benefits

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Utilities

- Water
- Electricity
- Gas
- Fuel
- Sewer
- Other

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Maintenance

- Labor
- Materials
- Contract Costs
- Benefits

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Protective Services

- Labor
- Materials
- Contract Costs
- Benefits

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General Expenses

- Insurance
- Payments in Lieu of Taxes
- Terminal Leave Pay
- Collection Loss
- Other General Expenses
- Compensated Absences

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Non-Routine Expenditures

- Extraordinary Maintenance
- Casualty Loss
- Capital Expenditures
 - Betterments and Additions
 - Replacements
- Debt Service Payments

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Budget Format

- Included in the updated budget format are the new FDS lines for REAC reporting beginning FYE 6/30/2008
- Net Income (Loss) Calculation
- PUM Budget
 - Total budget costs divided by the total unit months

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Questions?



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PH Financial Statements

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Overview

- Understand Accounting Basics
- Understand Chart of Accounts
- Read and Understand Financial Statements
 - Balance Sheet/Net Position
 - Income Statement/Statement of Activities
- Manage a budget

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Accounting Basics

- The Accounting Equation

Assets - Liabilities = Equity/Net Position

- **ASSETS**
 - Tangible and intangible items of value of which a Housing Authority owns
 - Cash / Investments
 - Inventory
 - Accounts Receivable
 - Fixed Assets
 - Prepaid Expenses

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Accounting Basics Continued

- **LIABILITIES**
 - Items which are owed by the Housing Authority
 - Loans
 - Bills to be paid (Accounts Payable)
 - Accrued Expenses
- **EQUITY/NET POSITION**
 - Net Worth of the Housing Authority
 - Invested In Capital Assets – Net Fixed Assets less outstanding loans
 - Restricted – Amount restricted by out side source
 - Unrestricted - Working Capital

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Accounting Basics Continued

- **REVENUE**
 - Income generated from tenants and non tenant sources
- **EXPENSE**
 - Administrative
 - Tenant Services
 - Utilities
 - Maintenance
 - Protective Services
 - General
 - Extraordinary Maintenance

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Accounting Basics Continued

Debits and Credits and affects on the balances

	Debits	Credits
Assets	Increase	Decrease
Liabilities	Decrease	Increase
Equity	Decrease	Increase
Revenue	Decrease	Increase
Expense	Increase	Decrease

HAWKINS/ASH
Chartered Accountants and CPAs

Chart of Accounts

Account Structure

- Fund*
- Statement ID
- Program ID
- Project/AMP Number
- HUD Account Number*
- Extension*

*Recommended
Example 01-1-000-000-41 10,000 Admin Salaries

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Chart of Accounts Continued

HUD Account Categories

- Assets
 - Generally 1000 accounts
- Liabilities and Equity
 - Generally 2000 accounts
- Revenues
 - Generally 3000 accounts
- Expenses
 - Generally 4000 accounts

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Financial Statements

- Balance Sheet/Net Position – a snapshot of assets, liabilities and equity at a particular point in time
- Income Statement/Statement of Activities (Profit and Loss Statement) – shows a measurement of a Housing Authority financial performance over a particular period (Month/Quarter/Annual)

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Balance Sheet/Net Position Highlights

See Low Rent F/S (saved to portal or can email for copy)

- Assets
 - Amount of cash in your Housing Authority
 - Amount of Receivables
 - Fixed assets, other capitalized costs

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Balance Sheet Continued

- Liabilities
 - How much money your Housing Authority is going to owe in the next accounting period
 - How much money does your Housing Authority owe overall
- Net Position
 - How much your Housing Authority has accumulated over time

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Income Statement/Statement of Activities

- Amount of Revenues
- Amount of Expenses
- Profit made or lost

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Manage Budget

- Budgets have to be included in the Housing Authority Financial Statements for comparative purposes per 24 CFR 990.255

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REAC Submissions

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REAC Submission

- Real Estate Assessment Center (REAC)
- Due Dates
 - 60 days after FYE
 - Each additional 15 days – lose 1 point
- Audited Submission
 - 9 months after FYE

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REAC Overview

- Financial Assessment Submission – PHA (FASPHA)
- Audited vs. Non-Audited
- Single Audit vs. Non-Single Audit
 - \$750,000 Threshold for Federal Funding
- Comment Section
- Data Collection Form (DCF)
- Financial Data Schedule (FDS)

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REAC Overview

- <https://www.hud.gov/sites/documents/FDSLIN EDEFGUIDEJULY14.PDF>
- Should be reported as prescribed by HUD

HUD uses the submitted financial data to help monitor and interpret the financial condition and health of PHA's and their project and programs. This data is also used by HUD, Office of Management and Budget (OMB) and Congress for portfolio-wide budgeting and policy decisions. In order to standardize financial reporting, PHA's are required to use the definitions as provided in this document. If the PHA or their auditors feel that HUD's definition for a given line item does not meet the definition of GAAP, the PHA should report their FDS to HUD in accordance with the definition as presented in this document. The treatment of the line in question can be reclassified on the PHA's audited financial statement for any resulting differences with the auditor still reporting an unmodified SAS 29 opinion (updated by SAS 119 effective 12/31/2011) on the FDS as long as the PHA provides a note in the PHA comment field to this effect.

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REAC – Financial Data Schedules

- Audited Financial Data Schedule Sample (saved to portal or can email for copy)
- Assets
 - Cash
 - Receivables
 - Investments/Prepaid/Inter-funds
 - Fixed Assets
 - Notes Receivable and Other Assets
- Deferred Outflows of Resources

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REAC - FDS (Continued)

- Liabilities
 - Current Liabilities
 - Non-current Liabilities
- Deferred Inflows of Resources

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REAC - FDS (Continued)

- Equity/Net Position
 - Net Investment in Capital Assets
 - Restricted Net Position
 - Unrestricted Net Position

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REAC - FDS (Continued)

- Revenue
 - Tenant Revenue
 - Grants and Fees
 - Other Revenue

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REAC - FDS (Continued)

- Expenses
 - Administrative Expenses
 - Tenant Services
 - Utilities
 - Maintenance
 - Protective Services
 - Insurance Premiums
 - General Expenses

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REAC - FDS (Continued)

- Expenses
 - Interest Expense and Amortization Cost
 - Other Expenses
 - Other Financing Sources (Uses)
- Required Annual Debt Principal Payments

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REAC - FDS (Continued)

- Beginning Equity
- Prior Period Adjustments and Equity Transfers
- Unit Months Available
- Number of Unit Months Leased

*Note 11170 & 11180 Administrative Fee Equity and Housing Assistance Payment Equity this is only required for Voucher.

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REAC - FDS (Continued)

- Line 11610 through 13901
 - Memo Accounts for Fixed Assets, CFFP Debt Service Payments and Replacement Housing Factor Funds
 - Only in PH and CFP columns in FDS

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Comments Section

- Comments on Conditional Acceptances or Previous Rejections
- Anything PHA wishes to comment on
 - Edit Flags
 - VMS/FDS Reconciliation
 - Unusual or New Balances

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Submission of Unaudited REAC

- PHA should review and agree with Entity Wide Reports before submitting
- Review Data Collection Form for any new or changing information
 - Auditor
 - Contact
 - EIN and DUNS Number

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Submission of Unaudited REAC

- Review of Edit Flags
 - Informational
 - Red Flags
 - Should address in comments or look to possibly correct

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Status of Submission

- After submitted, status is “PHA Submitted”
- When REAC Reviewer is assigned, status is “In Review”
- REAC Reviewer can
 - Approve
 - Conditional Acceptance
 - Reject
- Should check periodically to see the status

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Required Information to Complete Audited Submission

- Need Audit Report in Word or PDF document
- Needs to be broken down to different files
 - Management Discussion & Analysis (MD&A)
 - Notes – Footnotes
 - Audit Information
 - Audit Findings (if Single Audit)
 - Action Plan (if Single Audit with findings)
 - Financial Statements

*Note – if a component unit of a City/County – the above may differ slightly

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Audited Submission Status

- After submitted status is “IPA Review”
- IPA Review is then for the auditor to go in and verify/approve the submission
- When auditor submits it is in “IPA Agree” or “IPA Disagree”
 - IPA Agree-you can submit to REAC
 - IPA Disagree-auditor wants a change to be made. Once the change is made, submit back in “IPA Review”
- Should check periodically to see the status

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PHAS Scoring

- PHAS Scoring by Indicator
 - Physical Condition 40 points
 - Financial Condition 25 points
 - Management Operations 25 points
 - Capital Fund Program 10 points

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Capital Fund Program

- 10 Point total
 - 5 points for timeliness of fund obligation
 - 5 points for occupancy rate.

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Financial Indicator

- Quick Ratio 12 points
- Months Expendable Net Assets Ratio (MENAR) 11 points
- Debt Service Coverage Ratio (DSCR) 2 points
- For a total of 25 points

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Financial Indicator

- **Quick Ratio 12 points**
 - Measures liquidity-the HA's ability to cover its current obligations
 - Greater or equal to 2.0 - 12 points
 - Less than 2.0 but greater than 1.0 - 7.2 to 12.0 points
 - Equal to 1.0 – 7.20 points
 - Less than 1.0 – 0 points
- **Ways to Improve Quick Ratio**
 - Make sure current liabilities are paid when due. The lower the liabilities, the higher the ratio.

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Financial Indicator

- **Months Expendable Net Assets Ratio (MENAR) 11 points**
 - Measures adequacy of reserves-availability of unrestricted resources without using additional funding
 - Greater or equal to 4.0 - 11 points
 - Less than 4.0 but greater than 1.0 – 6.6 to 11.0 points
 - Equal to 1.0 – 6.60 points
 - Less than 1.0 – 0 points
- **Ways to Improve MENAR**
 - Cut Operating Expenses-watch and maintain according to budget

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Financial Indicator

- **Debt Service Coverage Ratio (DSCR) 2 points**
 - Measures capacity to cover debt and HA's capability to meet long-term obligations
 - CFFP is not included
 - No Debt Service- 2 points
 - Equal to or great than 1.25 - 2.0 points
 - Less than 1.25 but great than 1.0 – 1.0 points
 - Less than 1.0 – 0 points
- **Ways to Improve DSCR**
 - Minimize debt in the PH program

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Management Operations

- Occupancy Scoring 16 points
- Tenants Accounts Receivable (TAR) 5 points
- Accounts Payable (AP) 4 points

• For a total of 25 points

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Management Operations

- Occupancy Scoring 16 points
 - 98% or greater 16 points
 - Less than 98% but greater or equal to 96% - 12 points
 - Less than 96% but greater or equal to 94% - 8 points
 - Less than 94% but greater or equal to 92% - 4 points
 - Less than 92% but greater or equal to 90% - 1 point
 - Less than 90% 0 points
- Ways to Improve Occupancy
 - Maximize Leasing
 - HUD Approved Vacancies for Modernization

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Management Operations

- Tenants Accounts Receivable (TAR) 5 points
 - Less than 1.5% - 5 points
 - Less than 2.5% but greater or equal to 1.5% - 2 points
 - Greater or equal to 2.5% - 0 points
- Ways to Improve TAR
 - Write off balances at least yearly for vacated tenants.
 - Note-Allowance for Doubtful does not help this indicator

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Management Operations

- Accounts Payable (AP) 4 points
 - Less than .75% - 4 points
 - Less than 1.5% but greater or equal to .75% - 2 points
 - Greater or equal to 1.5% - 0 points
- Ways to Improve AP
 - Pay bills before Fiscal Year End
 - Utilities are Other Accrued Liabilities not Accounts Payable

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PHA Designation

- High Performer – If all the following is met:
 - Score of at least 60% of the points in Physical (24), Financial (15), and Management (15)
 - At least 50% under Capital Fund (5)
 - Overall PHAS score of 90
- Standard Performer –
 - PHA's overall score is at least 60 AND
 - Score not less than 60% of total points in Physical, Financial, and Management and not less than 50% in Capital Fund
- Substandard Performer –
 - PHA's overall score is less than 60% of total
 - Score less than 60% in one or more of the Physical, Financial, or Management.

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Timeliness of Submission

- Unaudited
 - Due 2 months after PHA's FYE
 - 1 penalty point for every 15 days you are past due
 - After 90 days late you have Late Presumptive Failure (LPF)
- Audited
 - Due 9 months after PHA Fiscal Year End-if late LPF

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