

## Guidebook 7510.1

### CHAPTER 4

#### IV. HUD Chart of Accounts

##### IV. Chart of Accounts

#### INTRODUCTION TO THE HUD CHART OF ACCOUNTS

##### Prescribed Accounts

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

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

##### Organization of the Chart of Accounts

The Chart of Accounts uses the following account categories:

##### A. 1000 ASSET ACCOUNTS

|           |                                  |
|-----------|----------------------------------|
| 1100-1200 | CURRENT ASSETS                   |
| 1400      | FIXED ASSETS                     |
| 1400.2:   | Modernization & Development Cost |

##### B. 2000 LIABILITY & SURPLUS ACCOUNTS

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

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##### C. NOMINAL ACCOUNTS

|      |   |
|------|---|
| 3000 | OPERATING INCOME ACCOUNTS                   |
| 4000 | OPERATING EXPENSE ACCOUNTS                  |
| 5000 | CREDITS AND CHARGES ON LONG-TERM DEBT       |
| 6000 | CREDITS AND CHARGES AFFECTING SURPLUS       |
| 7000 | MEMORANDUM ACCOUNTS                         |
| 7500 | Operating Expenditures for Property         |
| 8000 | HUD ANNUAL CONTRIBUTIONS                    |
| 8100 | HOMEBUYER PAYMENTS FOR PROPERTY ACQUISITION |

Although over 200 accounts are included in the Chart of Accounts, no HA will use all of the accounts listed.

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## ASSETS

## Cash

1111.1 General Fund (Development and/or Operation)  
1114 Security Deposit Fund  
1117 Petty Cash Fund  
1118 Change Fund

## Accounts Receivable

1122 Tenants  
1123 Mutual-Help Homebuyers  
1124 Homebuyers (Turnkey III Projects)  
1125 HUD  
1125.P Accounts Receivable, HUD Portability (Section 8)  
1129 Other  
1129.P Accounts Receivable, Issuing HA - Portability (Section 8)

## Notes and Mortgages Receivable

1130 Notes and Mortgages Receivable

## Accrued Receivables

1145 Accrued Interest Receivable

## Advances

1155 Limited Revolving Fund  
1156 Unlimited Revolving Fund  
1157 Other

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## Investments

1162 General Fund and Security Deposit Fund  
1163 Homeownership Reserve Funds  
1163.1 Homebuyers Earned Home Payments 1/  
1163.2 Homebuyers Nonroutine Maintenance Reserve 1/  
1163.3 Mortgagors/MH Homeowners Maintenance Reserve  
1163.4 MH Homebuyers Monthly Equity Payments  
1163.5 MH Homebuyers Voluntary Equity Payments

## Debt Amortization Funds

1171 Debt Service Fund  
1172 Advance Amortization Fund  
1173 Investments  
1176 HUD Annual Contributions Receivable  
1177 Deposits with HUD

## Deferred Charges

1211 Prepaid Insurance  
1212 Insurance Deposits  
1255 Maintenance Work in Process  
1260 Inventories - Materials  
1270 Inventories - Equipment

1290 Other

Land, Structures, and Equipment

1400.2 Development/Modernization Cost  
1400.3 Development/Modernization Cost - Contra  
1400.4 Land, Structures, and Equipment

1/ Applicable only to Turnkey III Homeownership Projects.

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Subsidiary Accounts to Account 1400.2

Administrative Expense  
1408 Management Improvements  
1410.1 Nontechnical Salaries  
1410.2 Technical Salaries  
1410.3 Work - MH Contributions  
1410.4 Legal Expense  
1410.9 Employee Benefit Contributions  
1410.10 Travel  
1410.12 Publications  
1410.14 Membership Dues and Fees  
1410.16 Telephone and Telegraph  
1410.18 Equipment Expended  
1410.19 Sundry  
  
1415 Liquidated Damages  
1418 Counseling and Training Costs  
1420.1 Interest to HUD  
1420.7 Interest - Income from Investments  
1425 Initial Operating Deficit

Planning  
1430.1 Architectural Engineering Fees  
1430.2 Consultant Fees  
1430.6 Permit Fees  
1430.7 Inspection Costs  
1430.9 Housing Surveys  
1430.19 Sundry Planning Costs

Site Acquisition  
1440.1 Property Purchases  
1440.2 Condemnation Deposits  
1440.3 Excess Property  
1440.4 Survey and Maps  
1440.5 Appraisals  
1440.6 Title Information  
1440.7 Site-MH Contribution  
1440.8 Legal Cost - Site

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1440.10 Option Negotiations  
1440.12 Current Tax Settlements  
1440.19 Sundry Site Costs  
1440.20 Site Net Income

1450 Site Improvement  
1450.1 Work-MH Contributions  
1450.2 Materials and Equipment - MH Contributions  
1450.3 Other MH Contributions

|         |  |  |
|---------|--|--|
| 1460    | Dwelling Structures                                  |  |
| 1460.1  | Work - MH Contributions                              |  |
| 1460.2  | Materials and Equipment - MH Contributions           |  |
| 1460.3  | Other MH Contributions                               |  |
| 1465    | Dwelling Equipment - Expendable and Nonexpendable    |  |
| 1465.1  | Dwelling Equipment - Nonexpendable                   |  |
| 1465.2  | Dwelling Equipment - Expendable                      |  |
| 1465.3  | Dwelling Equipment - MH Contributions                |  |
| 1470    | Nondwelling Structures                               |  |
| 1470.1  | Work-MH Contributions                                |  |
| 1470.2  | Materials and Equipment - MH Contributions           |  |
| 1470.3  | Other MH Contributions                               |  |
| 1475    | Nondwelling Equipment - Expendable And Nonexpendable |  |
| 1475.1  | Office Furniture and Equipment                       |  |
| 1475.2  | Maintenance Equipment                                |  |
| 1475.3  | Community Space Equipment                            |  |
| 1475.4  | Computer Equipment                                   |  |
| 1475.7  | Automotive Equipment                                 |  |
| 1475.9  | Expendable Equipment                                 |  |
| 1475.10 | MH Contributions                                     |  |
| 1480    | Contract Work in Process                             |  |
| 1482    | Developer's Contract Price (Turnkey) Work in Process |  |
| 1485    | Demolition Costs                                     |  |
| 1495    | Relocation Costs                                     |  |

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#### Undistributed Debits

|      |                              |
|------|------------------------------|
| 1620 | Ineligible Expenditures      |
| 1640 | Payrolls                     |
| 1660 | Other Administration Expense |
| 1690 | Other                        |

#### Contracts

|      |                          |
|------|--------------------------|
| 1800 | Uncompleted Contracts    |
| 1810 | Contract Awards - Contra |

#### Bid Guaranties

|      |                                    |
|------|------------------------------------|
| 1820 | Undeposited Bid Guaranties         |
| 1830 | Returnable Bid Guaranties - Contra |

#### Annual Leave

|      |                                     |
|------|-------------------------------------|
| 1840 | Earned Annual Leave                 |
| 1850 | Allowance for Annual Leave - Contra |
| ---- | Compensated Absences                |

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#### LIABILITIES

Accounts Payable

- 2111 Vendors and Contractors
- 2112 Contract Retentions
  - 2112.1 Contract Retentions - Fixed
  - 2112.2 Contract Retentions - Payroll Noncompliances
  - 2112.3 Contract Retentions - Liquidated Damages
- 2113 Performance Deposits
- 2114 Tenants Security Deposits
- 2115 Unclaimed Salaries and Wages
- 2115.P Section 8 Portable Vouchers
- 2116.P Section 8 Portable Certificates
- 2117 Payroll Deductions and Contributions
- 2118 HUD
- 2119 Other

Notes Payable

- 2122 Project Loan Notes - HUD
- 2123 Administrative Notes - HUD
- 2126 Project Notes - Non-HUD
- 2129 Sundry Notes

Accrued Liabilities

- 2131.1 Interest Payable - Development Notes - HUD
- 2131.2 Interest Payable - Administrative Notes - HUD
- 2131.3 Interest Payable - Other Notes (Deferred Payment) - HUD
- 2132 Interest Payable - Notes - Non-HUD
- 2133 Interest Payable - Bonds - Non-HUD
- 2134 Utilities
- 2135 Salaries and Wages
- 2136 Insurance
- 2137 Payments in Lieu of Taxes
- 2139 Other

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Trust and Deposit Liabilities

- 2161 Homebuyers Earned Home Payments 2/
- 2162 Homebuyers Nonroutine Maintenance Reserve 2/
- 2164 Unapplied Payments on Resale of Dwellings 2/
- 2165 Mortgagors or MH Homeowners Taxes and Insurance
- 2166 Mortgagors or MH Homeowners Maintenance Reserve
- 2171 MH Homebuyers Monthly Equity Payments
- 2172 MH Homebuyers Voluntary Equity Payments
- 2180 Family Self-Sufficiency (FSS) Escrow Account

Deferred Credits

- 2210 Prepaid Annual Contributions
- 2240 Tenants Prepaid Rents
- 2241 Prepaid Monthly Payments - Homebuyers - Turnkey III Projects
- 2245 Prepaid Monthly Payments - MH Homebuyers
- 2250 Investment Income - Homebuyers Earned Home Payments - Unapplied 2/
- 2251 Investment Income - Homebuyers Nonroutine Maintenance Reserve Unapplied 2/
- 2252 Investment Income - MH Homebuyers Equity Payments - Unapplied
- 2260 Land MH Contribution
- 2261.1 MH Homebuyers Non-land MH Contribution

2261.2 Tribal Non-land MH Contribution  
2290 Other

Fixed Liabilities

2311 Permanent Notes - HUD  
2312 Permanent Notes - F.F.B.  
2341 New Housing Authority Bonds - Issued  
2342 New Housing Authority Bonds - Retired  
2351 Other Notes Payable to HUD (Deferred Payment)

2/ Applicable only to Turnkey III Homeownership Projects.

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Undistributed Credits

2690 Undistributed Credits

Income and Expense Clearing Account

2700 Income and Expense Clearing Account

SURPLUS

2810 Unreserved Surplus  
2820 Reserved Surplus - Operating Reserve - Locally Owned  
Projects  
2821 Reserved Surplus - Operating Reserve - Leased Projects  
2822 Reserved Surplus - Operating Reserve - MH Projects 3/  
2823 Reserved Surplus - Operating Reserve - Turnkey III  
Homeownership Projects  
2824 Reserved Surplus - Operating Reserve - Section 23 HAP  
Projects  
2825 Reserved Surplus - Contingency Reserve - Unfunded -  
Section 23 HAP Projects  
2826 Reserved Surplus - Operating Reserve - Section 8 HAP  
Projects  
2827 Reserved Surplus - Project/ACC Reserve Account - Unfunded  
- Section 8 HAP Projects  
2840 Cumulative HUD Annual Contributions  
2845 Cumulative HUD Grants For Development/Modernization  
2850 Cumulative Donations  
2854 Replacement Reserve - Proceeds from Sale of Dwellings  
(Retained by HA) 4/  
2855 Cumulative Proceeds from Sale of TK III Dwellings  
(Remitted to HUD)  
2857.1 Cumulative Proceeds from Sale off Dwellings (Remitted to  
HUD)  
2857.2 Cumulative MH Unfunded Reserves Applied to Purchase Price  
of Dwellings  
2860 Book Value of Projects Conveyed by HUD  
2870 Contract Payments to HUD - Conveyed Projects  
2880 Development Cost - Undeveloped Projects  
2890 Surplus - Cost of Dwellings Conveyed to Homebuyers 4/

3/ New MH: The comparable account for old MH is Account 2815,  
Cumulative Residual Receipts.

4/ Applicable to Turnkey III and MH Projects, and to Section 5h.

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##### Capital Contributions (New Mutual Help)

2912        Refundable MH Reserve  
            (Refundable Old MH Accounts: 2915.1; 2920)  
2914        Unrefundable MH Reserve  
            (Unrefundable Old MH Accounts: 2910; 2915.2)

##### OPERATING INCOME

3000        Operating Income (Control)

##### Section 8 Income Accounts

3300        Interest on Reserved Surplus - Operating Reserve  
3300.P      Income-Portability  
3300.1      Fraud Recovery Funds Retained

##### Subsidiary Accounts to Account 3000

##### Rental Income

3110        Dwelling Rental  
3120        Excess Utilities  
3190        Nondwelling Rental

##### Nonrental Income

3610        Interest on General Fund Investments  
3680        Assessments - Homeowners  
3690        Other Income

##### OPERATING EXPENSE

4000        Operating Expense (Control)  
4000.P      Section 8 Portability Expense (Control)

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##### Subsidiary Accounts to Account 4000/4000.P

##### Administrative Expenses

4010        Preliminary Administrative Expenses (Section 8)- Prior to  
            ACC  
4012        Preliminary Administrative Expenses (Section 8) - After  
            ACC  
4012.P      Preliminary Administrative Expenses (Section 8) -  
Portability  
4110        Administrative Salaries  
4130        Legal Expense  
4140        Staff Training  
4150        Travel  
4170        **Accounting** Fees  
4171        Auditing Fees  
4180        Office Rent - HAP  
4190        Sundry - Other Administrative Expenses

##### Tenant Services

4210        Salaries

4220 Recreation, Publications, and Other Services  
4230 Contract Costs, Training, and Other

Utilities

4310 Water  
4320 Electricity  
4330 Gas  
4340 Fuel  
4350 Labor  
4390 Other Utilities Expense

Ordinary Maintenance and Operation

4410 Labor  
4420 Materials  
4430 Contract Costs  
4431 Garbage and Trash Removal

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Protective Services

4460 Labor  
4470 Materials  
4480 Contract Costs

General Expense

4510 Insurance  
4520 Payment in Lieu of Taxes  
4530 Terminal Leave Payments  
4540 Employee Benefit Contributions  
4570 Collection Losses  
4580 Interest on Administrative and Sundry Notes  
4590 Other General Expense

Nonroutine Maintenance

4610 Extraordinary Maintenance  
4620 Casualty Losses Noncapitalized

Rent for Leased Dwellings

4710 Rent to Owners of Leased Dwellings  
4715 Housing Assistance Payments (Section 8)  
4715.P Housing Assistance Payments (Section 8) - Portability

Other Accounts Not Affecting Residual Receipts

5230 Interest on Debt Amortization Fund Investments  
5240 Interest on Payments for Off-Site Utilities  
5610 Interest on Notes and Bonds Payable  
5640 Bond Redemption Premiums

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Surplus Credits And Charges

6010 Prior Year Adjustments - Affecting Residual Receipts  
6020 Prior Year Adjustments - Not Affecting Residual Receipts



6110 Gain or Loss from Disposition of Real Property  
6120 Gain or Loss from Disposition of Nonexpendable Equipment

Provision For Reserves

7010 Provision for Operating Reserve - Locally Owned Projects  
7011 Provision for Operating Reserve - Leased Projects  
7012 Provision for Operating Reserve - MH Projects  
7013 Provision for Operating Reserve - Turnkey III  
Homeownership Projects  
7014 Provision for Operating Reserve - Section 23 HAP Projects  
7016 Provision for Operating Reserve - Section 8 HAP Projects  
7025 Provision for Contingency Reserve - Section 23 HAP  
Projects  
7027 Provision for Project/ACC Reserve Account -Section 8 HAP  
Projects

MEMORANDUM ACCOUNTS

Operating Receipts For Repayment of Off-Site Utilities

7110 Receipts From Off-Site Utilities  
7190 Operating Receipts for Repayment of Off-Site Utilities -  
Contra

Operating Expenditures For Property

7520 Replacement of Nonexpendable Equipment  
7530 Receipts From Nonexpendable Equipment Not Replaced  
7540 Property Betterments and Additions  
7560 Casualty Losses - Capitalized  
7580 Proceeds From Disposition of Property - Reserved  
7590 Operating Expenditures For Property - Contra

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Homebuyers Monthly Payments - Turnkey III Homeownership Projects

7710 Homebuyers Monthly Payments - Operating Expense  
7712 Homebuyers Monthly Payments - Earned Home Payments  
7714 Homebuyers Monthly Payments - Nonroutine Maintenance Reserve  
7716 Homebuyers Monthly Payments - Excess (or Deficit) in Break-Even  
7790 Homebuyers Monthly Payments - Contra

HUD Annual Contributions Earned

8010 Basic Annual Contribution Earned - Current Year - Leased Projects  
8011 Basic Annual Contribution Earned - Prior Year Adjustments -  
Leased Projects  
8020 Contributions Earned - Operating Subsidy -Current Year  
8025 Annual Contributions Earned - Section 23 HAP Projects  
8026 Annual Contributions Earned - Section 8 HAP Projects

Grant Funds Received

8029.1 Development Grant Funds Received During Current Year  
8029.2 Modernization Grant Funds Received During Current Year

Homebuyers Payments - Property Acquisition

8112 Proceeds from Sale of Dwellings 5/  
8114 Homebuyers Payments on Resale Dwellings 5/  
8116.1 Cash Applied to Purchase Price of MH Dwellings

5/ Applicable only to Turnkey III Projects.

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#### DESCRIPTION OF ACCOUNTS

This section provides a description of the accounts to be used in recording transactions involving planning, developing, and operating rental programs (both locally owned and leased) and homeownership programs assisted under the United States Housing Act of 1937 pursuant to the provisions of any contract for annual contributions or administration.

#### ASSETS

##### Cash

- 1111.1 General Fund (Development and/or Operation). The debit balance of this account represents General Fund cash on deposit or to be deposited with a bank or banks for the planning, development and operation of projects in accordance with a contract with HUD.
- 1114 Security Deposit Fund. The debit balance of this account represents the unapplied or uninvested security deposits held for the account of tenants and deposited to this account. Where local laws or ordinances do not require segregation of these funds, they may be deposited in the General Fund.
- 1117 Petty Cash Fund. The debit balance of this account represents the amount of cash set aside, not in excess of the amount authorized by HA resolution, as an imprest fund for the payment of minor expenses and for making refunds to tenants.
- 1118 Change Fund. The debit balance of this account represents the amount of cash set aside, not in excess of the amount authorized by HA resolution, for the purpose of making change.

##### Accounts Receivable - Tenants/Homebuyers

The tenant/homebuyer accounts receivable (1122-1124) shall be supported by a subsidiary ledger showing the balance applicable to each tenant/homebuyer. Monthly rental charges (i.e., tenant rent charges, utility reimbursement amounts, required monthly payments for homebuyers) shall be posted to the accounts receivable records on the first, day of the month based on the monthly rent roll.

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##### Accounts Receivable - Tenants/Homebuyers (continued)

Any other charges, such as retroactive rent, maintenance charges, excess utility charges, or other adjustments, are also posted to these accounts but separately from the monthly rent charge. Tenant/homebuyer accounts receivable may be subdivided to collect information by project or by type of charge (rent, maintenance

charges, etc.), but shall be reported as aggregate debit and credit balances on the Balance Sheet. Accounts receivable may be written off only for vacated accounts.

Charges due to tenant fraud or misrepresentation. Retroactive rent charges due to tenant fraud or misrepresentation are charged to Accounts 1122-1124 only at the time: (1) when the tenant/homebuyer has acknowledged the debt by either (a) agreeing to immediately make full payment, or (b) entering into a formal written repayment agreement; or (2) when repayment by the tenant/homebuyer has been ordered by the court. If the amount of the court order differs from the amount of the HA calculated retroactive rent charge, the amount of the court order is established as the receivable.

1122 Tenants. The balance of this account represents the net of the debit and credit balances of the individual tenant accounts, including retroactive rent charges and indebtedness evidenced by notes. For reporting purposes, the sum of the individual debit balances shall be reported in the annual financial statement under this account in order to disclose the gross amount due from tenants, and the sum of the individual credit balances shall be reported under Account 2240, Deferred Credits - Tenants Prepaid Rents. This account may be maintained by project or by any combination of projects under the same contract.

1123 MH Homebuyers. This account shall be charged with all amounts due from MH homebuyers, including the administration charge and the monthly equity payments due from the homebuyer. The monthly charge entry for MH Homebuyers consists of (a) a debit to Account 1123 for the amount of the Required Monthly Payment due to the IHA on or before the first day of the month; (b) a credit to operating income Account 3110 for the amount of the Administration Charge; (c) a credit to Account 2171 (MEPA) for the amount, if any, by which the Required Monthly Payment exceeds the Administration Charge.

The balance of this account represents the net of the debit and credit balances of the individual MH homebuyers accounts receivable. For reporting purposes, the sum of the individual credit balances shall be reported in the annual financial statement under Account 2245, Deferred Credits-Prepaid Monthly Payments - MH Homebuyers.

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1124 Homebuyers (Turnkey III Projects). The balance of this account represents the net total of the debit and credit balances of the individual homebuyers accounts receivable. For reporting purposes, the sum of the individual debit balances shall be reported on the balance sheet under homebuyers, and the sum of the individual credit balances shall be reported under Account 2241, Deferred Credits - Prepaid Monthly Payments -Homebuyers. (For monthly charge entry see preface to Accounts 7710-7790.)

#### Accounts Receivable - Other

1125 HUD. The debit balance of this account represents amount due from HUD, including the basic annual contribution for leased projects, if any, as a result of transactions for which specific accounts are not provided.

1125.P Section 8 Accounts Receivable. HUD - Portability. The debit balance of this account represents amounts due from HUD for special preliminary fees for Portability.

1129 Other. The debit balance of this account represents the amount of receivables due from others than tenants, homebuyers, or HUD. The debit balance in this account also includes accounts receivable due for fraud recovery payments from Section 8 tenants and owners. Account 1129 is debited (and Account 2690 credited) with the amount of fraud recovery funds due from a Section 8 tenant/owner and credited with the amount of a collection received from a tenant/owner. This account shall be subdivided or a subsidiary ledger shall be maintained to segregate the amount due from each debtor.

1129.P Section 8 Accounts Payable. Issuing HA - Portability. The debit balance of this account represents the amount of receivables due from other (Issuing) HAs for HAP payments and administrative fees for Portability participants whose assistance is administered by the HA. A subsidiary ledger shall be maintained to segregate the amounts due from each debtor HA.

#### Notes and Mortgages Receivable

1130 Notes and Mortgages Receivable. The debit balance of this account represents the amounts due the HA as evidenced by notes, mortgages, or contracts of sale. It shall include amounts due the HA as evidenced by other formal instruments of indebtedness, such as loans to local off-site facilities not included in the development cost of the project. This account shall be subdivided or a subsidiary ledger shall be maintained to segregate the amount due from each debtor.

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#### Accrued Receivables

1145 Accrued Interest Receivable. The debit balance of this account represents accrued interest receivable on notes, mortgages, and/or contracts of sale. It shall also include accrued interest receivable on HA investments and on loans to local governing bodies or local taxing bodies for financing the construction of off-site facilities not included in the development cost of the project. The accrued interest paid on securities purchased shall be charged to this account. This account shall be subdivided or a subsidiary ledger shall be maintained to segregate the amount due from each debtor or for each type of investment.

#### Advances

1155 Limited Revolving Fund. The debit balance of this account represents the amount advanced to a revolving fund not covered by a General Depositary Agreement, for the purpose of payment of items chargeable to projects or enterprises of the HA, within limitations. An example of such a revolving fund is a payroll account which is used solely to disburse paychecks and to remit payroll taxes. The use of such an account is limited to the payment of costs proratable to two or more contracts. Advances may not exceed the prorata share of a reasonable estimate of one month's expenditures.

1156 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 NA. (See Chapter II, Pooling of Funds.)

1157 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 NA (See Chapter II, Pooling of Funds). 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.

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#### Investments

This account shall be debited with the cost of securities purchased from monies on deposit in the General Fund or the Security Deposit Fund. This account shall also be debited with the amount of such funds deposited in time or savings accounts and with the increment in value of U.S. Savings Bonds if the HA elects to record such increments (see also the description of Account 3610). This Account shall also be debited with 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.

If the HA elects to amortize periodically premiums paid and discounts received on the purchase of securities in accordance with the option in the description of Account 3610, this account shall be debited with the periodic amortization of discounts received and credited with the periodic amortization of premiums paid.

This account shall be credited with the cost of securities sold and with the amounts withdrawn from time or savings accounts.

This account shall be subdivided to segregate and identify investment securities and/or savings accounts representing the investment of tenant security deposits and for which investment income will be paid to or credited to the tenant's account.

When the funds invested are pooled from various sources, the investment income debited to this account shall be credited on an allocated basis to the appropriate program account.

1163 Homeownership Reserve Funds. 6/ This account shall be debited with the cost of securities specifically purchased from homeownership reserve funds on deposit in the General Fund, with the amount of such reserve funds deposited in time or savings accounts with Banks or other institutions, and with the increment in value or U.S. Savings bonds if the PHA elects to record such increments. This account shall also be debited with the interest earned on time or savings accounts at the time such interest is credited to the account by the depository.

6/ Homeownership reserve account funds may also be held in pooled investments recorded in Account 1162.

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##### 1163 Homeownership Reserve Funds (continued)

For the 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 amounts withdrawn from time or savings accounts.

This account shall be subdivided to segregate and identify investments specifically held by the HA for homeownership reserve accounts. (See descriptions of Accounts 2250, 2251, and 2252.)

1163.1 Investments -TK III Homebuyers Earned Home Payment. The debit balance of this account represents total investments being held for the homebuyers earned home payments accounts (sometimes called the "homebuyers ownership reserve").

1163.2 Investments - TK III Homebuyers Nonroutine Maintenance Reserve. The debit balance of this account represents total investments being held for the homebuyers nonroutine maintenance reserve.

1163.3 Investments - Mortgagors/MH Homeowners Maintenance Reserve. The debit balance of this account represents total investments being held for the mortgagors or MH Homeowners maintenance reserve.

1163.4 Investments - MH Homebuyers Monthly Equity Payments. The debit balance of this account represents total investments being held for the MH homebuyers monthly and voluntary equity payments account.

1163.5 Investments - MH Homebuyers Voluntary Equity Payments. The debit balance of the account represents investments being held for the MH homebuyers voluntary equity payments account.

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##### Debt Amortization Funds

1171 Debt Service Fund. The debit balance of this account represents the amount of funds on deposit with the fiscal agent for the payment of interest on and principal of obligations of permanently financed projects, the accumulated bond service carry-over, and for such other purposes as may be provided in the Annual Contributions Contract. When all obligations have been fully paid, any funds remaining in this account shall be remitted to HUD.

1172 Advance Amortization Fund. The debit balance of this account represents the amount of funds on deposit with the fiscal agent for advance retirement of debt or for such other purposes as provided in the Annual Contributions Contract. When all obligations have been fully paid, any funds remaining in this account shall be remitted to HUD.

1173 Investments. This account shall be debited with the cost of

securities purchased by the fiscal agent from funds on deposit in any of the debt amortization fund accounts (Debt Service Fund, Advance Amortization Fund, Annual Contributions Reduction Account, etc.). This account shall also be debited with the amount of debt amortization funds deposited by the fiscal agent in a time or savings account in a bank or other institution and with the amount of interest earned and credited to such time or savings account by the depository bank or institution.

This account shall be credited with the cost of securities sold and with amounts transferred by the fiscal agent from a time or savings account to the appropriate debt amortization fund account.

For purposes of this description, the "cost" of securities includes brokerage and other costs of acquisition, plus premiums paid or less discounts received, excluding accrued interest at date of purchase.

This account shall be subdivided to segregate investments purchased by the fiscal agent from each debt amortization fund account, such as Debt Service Fund, Advance Amortization Fund, Annual Contributions Reduction Account, etc.

- 1176 HUD Annual Contributions Receivable. The debit balance of this account represents the amount of the Debt Service Annual Contribution due from HUD pursuant to the terms and conditions of the Annual Contributions Contract. An accrual shall be made to this account only for those amounts required annually for the payment of interest and principal on bonds, and/or notes sold to the Federal Financing Bank (FFB). Annual Contributions need not be accrued on HUD Permanent Notes (Account 2311) subject to debt forgiveness.

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- 1177 Deposits With HUD. The debit balance of this account represents funds remitted to HUD (by the HA or by the fiscal agent).

This account shall be credited (and the appropriate account debited) upon notification by HUD that the funds have been applied.

#### Deferred Charges

- 1211 Prepaid Insurance. The debit balance of this account represents the unexpired portion of stock and mutual company insurance premiums. The unexpired portion of mutual company premiums shall be based on the difference between the amount of deposit premium and the estimated amount of returnable premium.
- 1212 Insurance Deposits. The debit balance of this account represents the estimated amount returnable on mutual company premium deposits upon expiration of the policies. The debit balance shall also include advance premium payments on workmen's compensation and employer's liability insurance policies which may be applied against premium accruals at the end of the policy year.
- 1255 Maintenance Work in Process. This account shall be debited with all costs incurred by the HA for routine and nonroutine maintenance of homebuyers' dwellings pending allocation of such costs to the applicable reserve or equity account of each homebuyer for whom work was performed.

1260 Inventories - Materials. If a perpetual inventory method of **accounting** for materials and supplies and expendable equipment is followed, this account shall be debited with the cost of materials and supplies and expendable equipment purchased and stored in a stockroom or warehouse pending issuance to projects as needed. This account shall be credited with the cost of materials and supplies and expendable equipment issued to projects.

If a perpetual inventory method of **accounting** for materials and supplies and expendable equipment is not used, this account shall be debited with the cost of unused materials and supplies and expendable equipment on hand at the end of the initial operating period and at the end of each fiscal year. The entry establishing the inventory at the end of a period may be reversed as of the beginning of the next period, or it maybe allowed to remain in this account until the end of the next period. If the latter method is used, the account shall, at the end of the next period, be debited or credited for the net increase or decrease, as applicable, in the cost of unused materials and supplies and expendable equipment on hand at the close of such period.

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1270 Inventories - Equipment. This account shall be debited with the cost of items of nonexpendable equipment and with the cost of all other items of a capital nature, such as water heaters, motors, and bathroom equipment which are normally considered real property when attached or installed in a fixed position, purchased and held in warehouses or stockrooms pending issuance to projects as needed.

The cost of nonexpendable equipment and the cost of other items of a capital nature purchased and charged to this account shall not be recorded in the 7500 or 4000 groups of accounts, respectively, nor shall the cost of nonexpendable equipment be charged to Account 1400.4, Land, Structures, and Equipment, until the items are placed in use.

1290 Inventories - Materials. The debit balance of this account represents the amount of prepayments of expenses not specifically chargeable to other accounts.

#### Land, Structures, and Equipment

These accounts reflect the cost of the fixed assets of the HA projects covered by an Annual Contributions Contract (ACC).

Capital asset expenditures for development and modernization are funded by specifically designated HUD resources. These expenditures are recorded in Account 1400.2 and subsequently capitalized in Account 1400.4. Capital asset expenditures paid for from operating funds are recorded in Account 1400.4 and also in the Account 7500 series.

The prescribed accounts for fixed assets record the expenditure of funds; the HUD **accounting** system does not provide for the depreciation of fixed assets for projects under an ACC.

1400.2 Development/Modernization Cost. This control account shall be debited with all costs incurred in connection with the development or modernization of a project. The charges to this account shall include the value of donations in kind and



development costs paid from cash donations. The account shall be supported by a development or modernization cost ledger which provides detailed cost information in subsidiary account classifications which correspond to the HUD approved budget for the individual development or modernization program.

Subsidiary Accounts to Account 1400.2: 1408 to 1495

A development or modernization cost ledger is maintained for each development or modernization program for the purpose of establishing a basis of HA accountability for HUD funding. The prescribed subsidiary account classifications in the cost ledger (Accounts 1408 - 1495) correspond to the HUD approved budgets for the capital expenditures and allow HUD to monitor the HA compliance with the authorized development or modernization program. After issuance of the Actual Development or Modernization Cost Certificate, the development/modernization cost ledger shall be retained as a permanent record of the development/modernization cost of the project.

A description of the 1400.2 subsidiary accounts follows Account 1400.4.

- 1400.3 Development/Modernization Cost - Contra. The purpose of this account is to offset (for reporting purposes) the total cost of the development or modernization project as approved by HUD in the Actual Development or Modernization Cost Certificate, and as capitalized in Account 1400.4.

This account is credited (and Account 1400.4 debited) for the total development or modernization costs for each project in the amount charged to Account 1400.2 and reported on the Actual Development or Modernization Cost Certificate.

- 1400.4 Land, Structures, and Equipment. This control account is debited (and Account 1400.3 credited) with the capitalized cost of the development and/or modernization of the HA projects charged to Account 1400.2 and approved by HUD in the Actual Development or Modernization Cost Certificate. The capitalized amount includes not only the direct cost of the fixed asset itself, but also any ancillary costs (e.g. administrative costs, site improvements, legal fees, interest costs, etc.) associated with the development/modernization program as approved by HUD.

This account is also debited with the acquisition cost of capitalized equipment and property betterments and additions which are paid from Operating Receipts; and with the cost, when paid from Operating Receipts or from insurance proceeds, of the reconstruction, restoration, or replacement of property destroyed or damaged by casualty when the book value of the project is considered to have been materially affected by the loss and subsequent restoration.

- 1400.4 Land, Structures, and Equipment (continued)

This account is credited with the actual (or estimated or allocated) cost of land, structures, and equipment sold, traded-in, or otherwise disposed of after the Date of Full Availability

(DOFA), except for property destroyed or damaged by casualty when such loss and subsequent restoration is considered not to have materially affected the book value of the project.

Subsidiary Accounts to Account 1400.4: 1405-1475

Account 1400.4 shall be supported by subsidiary accounts (Accounts 1405-1475) in a Property Ledger as described in Appendix A.

#### SUBSIDIARY ACCOUNTS TO ACCOUNT 1400.2

A development or modernization cost ledger is maintained for each individual development or modernization program for the purpose of establishing a basis of HA accountability for HUD funding. The prescribed subsidiary account classifications (Accounts 1408- 1495) correspond to the HUD approved budgets for the capital expenditures and allow HUD to monitor the HA compliance with the authorized development or modernization program.

The development/modernization cost ledger is the source of information for the periodic cost data reported to HUD and for the Actual Cost Certificate issued at the completion of the program.

The account descriptions provided below may be modified by specific program requirements in budgets approved by HUD. The current program reference sources (HUD handbooks, guidebooks, and notices) for development and modernization should be consulted for current information on allowable costs and reporting requirements.

The account descriptions for the subsidiary accounts to Account 1400.2 are also the account descriptions for the capitalized subsidiary accounts to Account 1400.4.

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#### Administrative Expense

1408 Management Improvements. This account shall be charged with all costs incurred by the HA for management improvements after modernization program approval, including nontechnical salaries, technical salaries, employee benefit contributions, and consultant fees. This account shall be charged only in connection with the modernization of a project. Non-expendable equipment shall not be charged to this account, but to Account 1475.

1410.1 Nontechnical Salaries. This account shall be charged with the gross salaries, or applicable portions thereof, earned by HA personnel engaged in nontechnical administrative work relating to the planning and development of the project. It shall include the salaries of the executive director, assistant executive director, accountants, **accounting** clerks, secretaries, stenographers, clerks, typists, purchasing agents, file clerks, switchboard operators, office janitors, and the salaries of all other HA personnel assigned to administrative work in connection with the planning and development of the project.

Terminal leave payments to terminated employees shall be charged to this account in the same ratio as the salary of such terminated employees was chargeable to this account as of the termination date of employment.

1410.2 Technical Salaries. This account shall be charged with the gross salaries, or applicable parts thereof, earned by HA employees

engaged in architectural, engineering, or other technical work relating to the planning and development of the project. It shall include the salaries of architects, engineers, amen, and the salaries of all other personnel engaged in such technical work. If the entire architectural and engineering work is performed by HA employees, the salaries of such employees shall be charged to this account and not to Account 1430.1.

Terminal leave payments to terminated employees shall be charged to this account in the same ratio as the salary of such terminated employees was chargeable to this account as of the termination date of employment.

This account shall not be charged with the salaries of secretaries, stenographers, or typists assigned to technical employees; such salaries shall be charged to Account 1410.1. The salaries of personnel assigned to full-time inspection work during construction shall not be charged to this account, but to Account 1430.7.

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- 1410.3    Work - MH Contribution. This account shall be charged with the value of work furnished as mutual help contributions by homebuyers engaged in administrative work for the IHA, relating to the planning and development of the project.
- 1410.4    Legal Expense. This account shall be charged with retainers and fees paid to attorneys for general legal advice and assistance and for the handling of litigation in connection with the planning and development of the projects. This account shall also be charged with the gross salaries earned by staff attorneys 7/ for legal work relating to the planning and development of the projects, including title information and other legal work relating to site acquisition. The salaries earned by secretaries, stenographers, or typists assigned to such staff attorneys shall not be charged to this account; such salaries shall be charged to Account 1410.1.

Terminal leave payments to terminated employees shall be charged to this account in the same ratio as the salary of such terminated employees was chargeable to this account as of the termination date of employment.

This account shall not be charged with:

- o    legal fees and expenses awarded by a court to the owner of property acquired by condemnation; such amounts shall be charged to Account 1440.1,
- o    legal fees and expenses for obtaining title information; such amounts shall be charged to Account 1440.6,
- o    legal fees and expenses in connection with site acquisition; such amounts shall be charged to Account 1440.8,
- o    any part of the salary of an attorney employed in an administrative position, such as executive director, assistant executive director, etc., although such attorney may perform certain legal work incidental to his administrative duties; such salary shall be charged to Account 1410.1., and

- o costs for obtaining opinion of counsel in connection with financing the project; such cost shall be charged to Account 1410.19.

7/ The term "staff attorney", as used in this description, means an attorney employed at a fixed salary for the primary purpose of furnishing general legal advice and assistance and/or for handling litigation relating to the planning, development, and operation of HUD-aided projects and any other program being administered by the HA.

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1410.9 Employee Benefit Contributions. This account shall be charged with HA contributions, or the applicable parts thereof, to employee benefit plans, such as pension, retirement, and health and welfare plans. This account shall also be charged with administrative expenses paid to the state or other public agency in connection with a retirement plan, if such payment is required by state law, and with trustee's fees paid in connection with a private retirement plan, if such payment is required under the retirement plan contract.

This account shall also be charged with unemployment compensation expenses, as required by state law, related to costs of terminating employees hired on a temporary basis for modernization.

Deductions from compensation of employees for pension, retirement, and health and welfare plans shall not be charged to this account, but shall be considered a part of their gross earnings and charged to the appropriate salary account.

1410.10 Travel. This account shall be charged with travel expenses of officials and employees of the HA traveling on official business; including travel expenses and registration fees incurred in connection with attending conventions and meetings of organizations which the HA determines will be useful in the conduct of its business. The charges to this account shall include the cost of automobile hire, allowances paid to employees for use of privately owned automobile or other transportation costs, taxi fares, subsistence allowances, etc.

This account shall also be charged with travel expenses of HA officials and employees traveling on official business in connection with HUD approved Comprehensive Improvement Assistance Program (CIAP) training. Prior approval must be obtained from HUD before CIAP training can be charged to this account.

1410.12 Publications. This account shall be charged with the cost (other than the cost of services of regular staff employees and the cost of supplies withdrawn from stock) incurred by the HA in the preparation, printing, and distribution of its annual reports, exhibits, and other informational literature relating to its housing program. This account shall also be charged with the cost of periodicals, books, and any other literature which the HA deems useful in the conduct of its business.

1410.14 Membership Dues and Fees. This account shall be charged with dues and fees for membership in, and payment for the services of, organizations supplying technical or professional information or material concerning the low-rent housing program.

- 1410.16 Telephone and Telegraph. This account shall be charged with the cost of telephone and telegraph services, including rental of equipment and long distance toll charges.
- 1410.18 Equipment Expended. This account shall be charged immediately when the transaction occurs with the difference between the acquisition cost and the proceeds. from disposition of personal property during the period for which proceeds from the sale of personal property are credited to the development cost of the project. When the physical inventory of equipment is taken as of the end of the initial operating period, this account shall also be charged with the acquisition cost of equipment which has been lost, stolen, destroyed, abandoned, expended, etc.
- 1410.19 Sundry. This account shall be charged with all items of administrative and general expense incurred in connection with the planning and development of the project for which a specific account is not provided in the 1410 group of accounts. Charges to this account include, but are not limited to, the following:

- o rental of office space and cost of minor alterations; rental of office furniture and equipment; utilities services; and janitorial supplies,
- o the cost of report and **accounting** forms; fees for **accounting** and auditing services; printing of forms and other documents, except annual reports and other informational literature; stationery and office supplies; postage; messenger service; and incidental express, freight, and drayage not identified with and charged to the same account as the article shipped,
- o operating cost of motor vehicles, such as gasoline, oil, grease, batteries, tires, and repairs,
- o insurance expense for workmen's compensation, automobile liability, public liability, fire coverage on furniture and fixtures, and fidelity bonds. When authorized in the development budget, insurance expense shall include the initial three year insurance premium for fire and extended coverage, public liability and fidelity bond coverage,
- o advertising costs in connection with procuring bids for demolition, construction, landscaping, and other contracts for development work,

1410.19 Sundry (continued)

- o cost of obtaining the opinion of counsel in connection with financing the project, and
- o the cost of preparing the development program beyond that which is required as basic services under the architect's contract when such work is not performed by HA personnel.

This account shall not be charged with any of the following types of cost:

- o purchase of office furniture and equipment; such purchases shall be charged to Account 1475.1,

- o blueprints, duplicating specifications, or other printing related to planning; such costs shall be charged to Account 1430.19, and
- o travel expenses of architects and engineers or their authorized agents which are reimbursable to them under their contracts; such cost shall be charged to Account 1430.1.

#### Liquidated Damages

1415 Liquidated Damages. This account shall be credited with the amount of liquidated damages collected from the contractor pursuant to the terms and conditions of the contract. (see Public Housing Development Handbook 7417.1, Rev. 1).

#### Counseling and Training

1418 Counseling and Training Costs. This account shall be charged with costs incurred in connection with (a) the counseling and training services provided applicants and homebuyers in Turnkey III and MH Homeownership Projects and (b) the organization and initial operation of the homebuyers association in a Turnkey III Project. The costs chargeable to this account shall be limited to the items and amounts approved by HUD in the project's development cost budget. The charges to this account may include:

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1418 Counseling and Training Costs (continued)

- o Salaries earned by HA personnel (including homebuyers employed by the HA) engaged solely in providing counseling and training services. If the employee's normal duties include other duties besides providing counseling and training services, the salary of such employee shall be prorated on an equitable basis between this account and the other appropriate account(s) reflecting salaries.
- o Materials, supplies and expendable equipment used in connection with counseling and training services. Non-expendable equipment is charged to Account 1475.
- o Contract costs for counseling and training services (labor, materials and supplies) furnished by an organization or by persons other than HA personnel. It may also include other contract costs directly related to the counseling and training program which is generally incurred when the HA undertakes to carry out its own counseling and training program, such as the rental and servicing of equipment and the fees of a professional consultant or recognized expert engaged to develop a counseling and training program for the HA. If the Bureau of Indian Affairs (BIA) Homebuyer Training Program is used in the counseling of MH homebuyers, the BIA shall not be reimbursed for utilization of its staff or facilities.
- o Other costs directly related to a counseling and training program provided by the HA staff, such as employee benefit contributions applicable to employee salaries, the rental of space when the HA does not have space available for training sessions, telephone services, etc.

- o Homebuyers association costs directly related to the organization and initial operation of the homebuyers association for Turkey III Homeownership Projects only.

For budgetary control purposes, subaccounts shall be maintained for each of the above categories of costs.

Interest Expense - Net

- 1420.1 Interest to HUD. This account shall be charged with interest accruing on development loan notes payable to HUD through the Date of Full Availability (DOFA). Interest shall be charged only when specifically required by HUD. No interest is charged by HUD on grant funds.
- 1420.7 Interest - Income From Investments. This account shall be credited with interest earned on development funds up to the date of full availability (DOFA). Interest Income earned between DOFA and the end of the initial operating period is credited to Account 1425/3610.

Initial Operating Period

- 1425 Initial Operating Deficit. Income earned and expenses incurred in connection with the initial operation of a project shall be debited or credited to this account as applicable. Income to be credited includes income from rental of structures constructed on the site, charges to tenants for excess utilities and services , and interest earned on General Fund investments. Expenses to be debited include administrative and general expense applicable to the initial operation of the project, and cost of labor, materials and supplies, utilities, and contract costs incurred in connection with ordinary maintenance and operation of that part of a project available for occupancy.

The initial operating period usually begins with the date of initial occupancy of a project, around the time of DOFA. However, some costs incurred prior to initial occupancy may be debited to this account. These costs include but are not limited to salaries of persons responsible for selecting tenants and/or handling tenant accounts, cost of stationery, forms, and office supplies used in operation of a project.

All income and expense items shall be classified according to income and expense accounts prescribed for use during the operations period, e.g., dwelling rental income shall be recorded as 1425/3110.

The End of the Initial Operating Period (EIOP) is a time defined in the applicable program development handbook or regulation. The EIOP is always at the end of a calendar quarter. A debit balance in this account at EIOP is a cost to the development program. A credit balance at EIOP remains in the account to reduce the development cost.

Planning

- 1430.1 Architectural and Engineering Fees. This account shall be charged

with all fees for architectural and engineering work under lump-sum or fixed-fee-plus-reimbursable-cost contracts, including all amounts reimbursable to the architect except:

- o reimbursable costs for inspection; such costs shall be charged to Account 1430.7,
- o reimbursable costs for soil tests and site surveys when the architect is authorized to contract for this service; the cost of soil tests shall be charged to Account 1430.19 and the cost of site surveys shall be charged to Account 1440.4, and
- o reimbursable costs for preparation of the development program beyond that which is required as basic services under the contract; such costs shall be charged to Account 1410.19.

This account shall also be charged with the cost of blueprints and specifications furnished by the architect whether such costs are or are not reimbursable to the architect under his contract. Should the entire architectural and engineering work be performed by employees of the HA, the cost thereof shall not be charged to this account, but to Account 1410.2.

1430.2 Consultant Fees. This account shall be charged with any planning consultant fees and with reimbursable expenses incurred by the architect for special services not provided for under the terms of his contract.

1430.6 Permit Fees. This account shall be charged with any building permit fees or similar fees which are paid by the HA.

1430.7 Inspection Costs. This account shall be charged with amounts reimbursable to the architect for the cost of inspection pursuant to the terms of the architect's contract, and with inspection costs incurred in connection with a turnkey project pursuant to a contract for inspection services. This account shall also be charged with all other costs incurred for inspection, including costs for test of materials, and the gross salaries earned by HA personnel assigned to inspection work on a full-time basis.

Terminal leave payments to employees shall be charged to this account if the salaries of such terminated employees are chargeable to this account as of the date of termination of employment.

This account shall not be charged with any part of the salaries of administrative or technical personnel who may perform a certain part of the inspection of the project incidental to their regularly assigned duties; such salaries shall be charged to Account 1410.1 or Account 1410.2, as applicable.

1430.9 Housing Surveys. This account shall be charged with all costs approved by HUD for housing surveys, including costs of printing reports.

1430.19 Sundry Planning Costs. This account shall be charged with the costs incurred for borings and soil test pits, models, miscellaneous blueprints, photostats, photographs, and other



planning costs not allocable to specific accounts. This account shall be credited with monies received by the HA from the sale of blueprints.

This account shall not be charged with the cost of blueprints or specifications furnished by the architect (whether such costs are or are not reimbursable to the architect under his contract); such amounts shall be charged to Account 1430.1.

#### Site Acquisition

1440.1 Property Purchases. This account shall be charged with all amounts paid for land and existing improvements, including any amounts disbursed for prior-year taxes and deducted from the purchase price, and amounts disbursed for current taxes prorated to the date of acquisition. The proportionate share of current taxes applicable to the period after the date of acquisition shall not be charged to this account, but shall be charged to Account 1440.12. Account 1440.1 shall also be charged with all amounts paid for property acquired by condemnation, including all amounts awarded by the court in connection therewith. This account shall be charged with the reasonable value of property donated, as determined by the HA with the approval of HUD. A memorandum notation shall be made on the ledger sheet for this account to show the area of land acquired and disposed of and the remainder.

This account shall be credited, and Account 1440.3 shall be debited, with an amount equal to the actual or allocated cost of any land, together with structures remaining thereon, which is determined prior to the issuance of the Actual Development Cost Certificate to be excess to the needs of the project. This account shall be credited with any amounts received from the sale of structures, equipment, and other appurtenances included on the site at time of acquisition. The proceeds from the sale of scrap and salvage resulting from the demolition and clearing of the site shall be credited to Account 1450.

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1440.1 Property Purchases (continued)

If any of the structures or other improvements existing on the site at the time of acquisition are used for dwelling or nondwelling purposes, this account shall be credited, and Accounts 1450, 1460, and 1470, as applicable, shall be debited with the reasonable value of the property so used, as determined by the HA with the approval of HUD.

1440.2 Condemnation Deposits. This account shall be charged with the amount of any deposits placed with a court pending completion of condemnation proceedings. At such time as an award is made on any parcel, the amount of the deposit applied on the purchase price thereof shall be transferred to Account 1440.1. This account shall be credited (and the applicable account in the 1440 group debited) with the amount of any fees, court costs, etc., which are paid from the deposit made with the court. At the conclusion of all condemnation proceedings, no amount should remain in this account except court awards, if any, in connection with properties which are not finally acquired.

1440.3 Excess Property. This account shall be charged, and Account 1440.1 shall be credited, with an amount equal to the actual or allocated cost of any land, with structures remaining thereon, which is

determined to be excess to the needs of the project when such determination is made prior to the issuance of the Actual Development Cost Certificate (ADCC).

This account shall be credited with the proceeds from sale of excess property sold prior to the issuance of the ADCC. The difference between the actual or allocated cost of the property and the proceeds of sale credited to this account shall be transferred to Account 1440.1.

- 1440.4 Surveys and Maps. This account shall be charged with the cost of boundary, property line, topographical, and utility surveys, including maps and perimeter descriptions; the cost of monuments and landmarks; and the cost of all blueprints and photostats furnished by the surveyor.
- 1440.5 Appraisals. This account shall be charged with costs incurred for appraisals of land and improvements and for the appraisals, if any, ordered by the HA for condemnation proceedings. This account shall also be charged with costs incurred for obtaining appraisals of site(s) for a project to be acquired by the turnkey method. If the HA employs full-time appraisers on its staff, the salaries paid to such employees shall be charged to this account.

1440.5 Appraisals (continued)

Terminal leave payments to employees shall be charged to this account if the salaries of such terminated employees are chargeable to this account as of the date of termination of employment.

This account shall not be charged with:

- o expert witness fees awarded by a court to the owner of property acquired by condemnation; such costs shall be charged to Account 1440.1 or
- o any part of the salaries paid to administrative or technical personnel assigned as part-time appraisers; such salaries shall be charged to Account 1410.1 or Account 1410.2, as applicable.

- 1440.6 Title Information. This account shall be charged with costs incurred for securing title information, including legal services, abstracts, title certificates, title guarantee policies and other costs in connection therewith. This account shall not be charged with any part of the salaries of staff attorneys; such salaries shall be charged to Account 1410.4.
- 1440.7 Site - MH Contribution. This account shall be charged with the value of land and existing improvements furnished as mutual help contributions for the development of the project.
- 1440.8 Legal Cost - Site. This account shall be charged with legal costs incurred in connection with site acquisition, except for salaries paid to staff attorneys (see Account 1410.4). The charges to this account shall include legal and court costs in connection with condemnation and eviction proceedings, process service fees, and similar costs.

This account shall not be charged with:

- o legal fees and expense for securing title information; such amounts shall be charged to Account 1440.6, or
- o legal fees and expense awarded by a court to the owner of property acquired by condemnation; such amounts shall be charged to Account 1440.1.

1440.10 Option Negotiations. This account shall be charged with fees or other costs incurred for negotiating the purchase of property or options to purchase property. This account shall also be charged with the nominal consideration, if any, paid for options.

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1440.10 Option Negotiations (continued)

If the HA employs full-time option negotiators on its staff, the salaries paid to such employees shall be charged to this account.

Terminal leave payments to employees shall be charged to this account if the salaries of such terminated employees are chargeable to this account as of the date of termination of employment.

This account shall not be charged with any part of the salaries of administrative or technical personnel assigned as part-time option negotiators; such salaries shall be charged to Account 1410.1 or Account 1410.2, as applicable.

1440.12 Current Tax Settlements. This account shall be charged with the proportionate share of current taxes applicable to the period after the date of acquisition.

1440.19 Sundry Site Costs. This account shall be charged with recording fees and any other costs of site acquisition not allocable to specific accounts.

1440.20 Site Net Income. This account shall be credited with income, to the end of the initial operating period, from the rental of structures existing on the site at the time of acquisition and from the rental of land for parking lots or other purposes. This account shall be charged with all expenses, to the end of the initial operating period, in connection with the rental, operation, and maintenance of such existing structures.

All items of income credited to this account and all items of expense charged to this account shall be classified according to the income and expense accounts (accounts in the 3000 and 4000 groups) prescribed for use during the operations period. A ledger shall be maintained as a subsidiary ledger to Account 1440.20 in the development cost ledger for recording income and expense relating to the rental, operation, and maintenance of existing structures and land.

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Site Improvement

1450 Site Improvement. This account shall be charged with all costs incurred by the HA for demolition and site improvements, including the cost of offsite utilities, if any. This account shall be credited with the proceeds received from the sale of scrap and salvage resulting from demolition and clearing of the site, and

with the amount of cash repayments made by the local governing body in connection with the cost of offsite utilities included in the development cost of the project which are received prior to the date of full availability (DOFA) of the project.

The principal charges to this account will cover parts of the main construction contract or related contracts which will be determined and distributed to this account at the time of approval of the final billing under the contract. Other costs which are not included under a contract shall be charged directly to this account when incurred.

The principal charges to this account will include, but are not limited to, the following costs:

- o Demolition. See Account 1485.
- o Grading. The cost of stripping top soil, and the cutting, filling, back filling, and grading necessary to bring the entire area outside of the buildings to the subgrade levels of paved, surfaced, and planted areas.
- o Sanitary Sewers. The cost of sanitary sewers, including the cost of normal excavation, backfilling, piping, manholes, cleanouts, sewage pumping, and disposal facilities, etc. This account shall also include the cost of branches and connections up to but outside of building walls, and the cost of carrying such branches and connections through buildings in route to other buildings, but shall exclude the cost of connections to the buildings through which such branches pass.
- o Storm Sewers. The cost of storm sewers, including normal excavation and backfill, piping, manholes, street catch basins and inlets, yard catch basins and inlets, cleanouts, etc.

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1450                      Site Improvement (continued)

- o Water Distribution System. The cost of water distribution systems, including normal excavation and backfill, piping, valves and boxes, hydrants, curb cocks and boxes, yard drinking fountains, manholes, master meter installation, etc. Individual meters shall not be charged to this account, but shall be charged to Account 1460.
- o Gas Distribution System. The cost of gas distribution systems, including normal excavation and backfill, piping, valves and boxes, curb cocks and boxes, drip pots; regulators, master meter installations, etc. Individual meters shall not be charged to this account but shall be charged to Account 1460.
- o Electric Distribution System. The cost of electric distribution systems, including normal excavation, backfill, overhead lines and poles, underground lines, transformers, transformer vaults, yard lights, master meter installations, etc. This account shall also include the cost of branches and connections up to but outside of building walls, and the cost of carrying such branches and connections through buildings in route to other buildings, but shall exclude the cost of connections to the buildings through which such branches pass. Individual meters shall not be charged to this account, but shall be charged to Account 1460. This account shall also include any costs of street lighting and fire and police alarm

systems.

- o Allowance for Abnormal Subsoil Conditions. The cost of abnormal excavation resulting from unusual subsoil conditions, such as rock, muck, water, quicksand, etc., over and above the cost for normal rough grading and excavation work.
- o Excess Dwelling and Nondwelling Foundations. The cost of excess foundation work in connection with buildings, utilities, and other site improvements where the unusual character of the subsoil or site topography requires piling, caissons, underpinnings, or very unusual depth of footings. The term "very unusual depth of footings" is not applicable to conditions ordinarily encountered, such as old basements, cesspools, and the like, and insecure pockets of earth of moderate extent, but is applicable only where such conditions are clearly of an extraordinary extent. The cost of normal excavations and foundations for structures shall be charged to Account 1460, Dwelling Structures, in the case of dwelling structures; or to Account 1470, Nondwelling Structures, in the case of nondwelling structures. Pile caps and beams supporting structures between pileclusters or caissons shall be considered as normal foundations, but the piles and caissons in places shall be considered excess dwelling or nondwelling foundations.

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1450 Site Improvement (continued)

- o Paved Areas. The cost of streets and alleys, including the cost of subgrading, paving, curbs, curb and gutters; the cost of walks; the cost of constructing driveways, parking areas, playgrounds, and other similar surfaced areas.
- o Finished Grading, Lawns, and Planting. The cost of subgrade preparation, top soiling, seeding, sodding, and planting.
- o Miscellaneous. The cost of building retaining walls and bulkheads, structural playground facilities (such as spray-pools), fences, garbage stations, and other similar appurtenances, and cost of benches, clothes poles, flag poles, etc., when permanently installed. All nonexpendable playground equipment, as distinguished from structural playground facilities, shall be charged to Account 1475.), Community Space Equipment.

If any of the improvements existing on the site at the time of purchase are to be used, this account shall be charged with an amount equal to a reasonable value (as determined by the HA with the approval of HUD) of such improvements plus the cost of renovation, if any, necessary to prepare the improvements for use.

For Mutual Help Projects, this account shall be subdivided to segregate the various elements of costs to the following accounts:

- 1450.1 Work - MH Contributions. This account shall be charged with the value of work furnished as mutual help contributions in connection with site improvement.
- 1450.2 Materials and Equipment - MH Contributions. This account shall be charged with the value of all materials and equipment furnished as mutual help contributions in connection with site improvement.

1450.3 Other MH Contributions. This account shall be charged with all costs incurred for site improvement, exclusive of the value of work, materials and equipment furnished as mutual help contributions and charged to Accounts 1450.1 and 1450.2.

1460 Dwelling Structures. This account shall be charged with the cost of dwelling structures as more specifically defined in the following paragraphs.

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1460 Dwelling Structures (continued)

The principal charges to this account will cover parts of the main construction contract and related contracts which will be determined and distributed to this account at the time of approval of the final billing under the contract. Other costs which are not included under a contract shall be charged directly to this account when incurred. The principal charges to this account will include, but are not limited to, the following costs.

- o General. The cost of normal excavation and backfill, normal foundations and other structural costs of dwelling buildings and spaces, including incinerators, laundry facilities, closet spaces, halls, corridors, entrance lobbies, equipment spaces, perambulator and other tenant storage spaces, etc. Also, the cost of fixed cabinets, cupboards, shelving, and other built-in facilities.
- o Plumbing. The cost of all interior plumbing, gas, and domestic hot and cold water installations within dwelling building walls; piping, fixtures, bathroom accessories, domestic hot water heaters, circulating pumps. Individual gas and water meters should also be charged to this account.
- o Heating. The cost of all heating installations within dwelling building walls or in group or central plants; piping, ducts, radiators, vents, grills, fans, fixed heating units (such as floor furnaces, panel type wall heaters, or other heating units built into the structure) and all accessories, except individual space heaters (i.e., space heating equipment not connected to ducts or pipes for distribution of heat, which shall be charged to Account 1465, Dwelling Equipment). If a central heating plant is provided, include the entire cost of plant structure, equipment, heating mains, domestic hot water mains, and pipe tunnels. The cost of pipe tunnels carrying several types of utility lines shall be prorated in the same proportion as the cost of the lines carried. Thus, the portion of the cost of a pipe tunnel (carrying both a cold water line and a heating line serving dwelling units only) applicable to the cost of the cold water line would be included in Account 1450, Site Improvement (Water Distribution System), and the portion of tunnel cost applicable to the heating line would be included in Account 1460, Dwelling Structures.
- o Electrical. The cost of interior dwelling electrical installation (from service drops); conduits, wiring devices, boxes, receptacles, mastermeter, switches, finished electrical hardware, circuit breakers, lights, fixtures, and all other appurtenances. Individual electric meters shall also be included in this account.

1460 Dwelling Structures (continued)

- o Elevators. The cost of elevators and related equipment. If any of the structures existing on the site at the time of purchase are to be used for dwelling purposes, this account shall be charged with an amount equal to a reasonable value (as determined by the HA with the approval of HUD) of such structures plus the cost of renovation, if any, necessary to prepare the structures for dwelling use.

For Mutual Help Projects, this account shall be subdivided to segregate the various elements of costs to the following accounts:

- 1460.1 Work - MH Contributions. This account shall be charged with the value of work furnished as mutual help contributions in connection with the construction of dwelling structures.
- 1460.2 Materials and Equipment - Mutual Help Contributions. This account shall be charged with the value of all materials and equipment (except items of equipment chargeable to the accounts in the 1465 group) furnished as mutual help contributions in connection with the construction of dwelling structures.
- 1460.3 Other MH Contributions. This account shall be charged with all costs incurred for dwelling structures, exclusive of the value of work, materials, and equipment furnished as mutual help contributions and charged to accounts 1460.1 and 1460.2.

Dwelling Equipment

- 1465 Expendable and Nonexpendable. This account shall be charged with the cost of all ranges, refrigerators, individual space heaters which are not connected to ducts or pipes for the distribution of heat, shades, screens, and other similar equipment. The cost of space heaters or other heating units built into the structures, such as floor furnaces and panel type wall heaters, shall not be charged to this account, but to Account 1460.

The principal charges to this account will generally result from special equipment contracts, but may also arise from portions of the main construction contract or related contracts; when dwelling equipment is included in the main construction contract or related contracts the cost of such equipment will be determined and distributed to this account at the time of the final billing under the contract.

1465 Expendable and Nonexpendable (continued)

The account shall be credited with the cost of dwelling equipment sold prior to the date of full availability (DOFA) of the project; the difference between the cost of equipment sold and the proceeds from sale shall be charged to Account 1410.18. When the physical inventory of equipment is taken as of the end of the initial operating period, this account shall be credited and Account 1410.18 shall be debited with the cost of dwelling equipment which has been lost, stolen, abandoned, destroyed, or expended.

This account shall be subdivided as follows:

- 1465.1 Dwelling Equipment - Nonexpendable, shall be used for recording the cost of dwelling equipment classified as "nonexpendable" pursuant to established criteria for capitalization of property.
- 1465.2 Dwelling Equipment - Expendable, shall be used for recording the cost of dwelling equipment classified as "expendable" pursuant to established criteria for capitalization of property.
- 1465.3 Dwelling Equipment-MH Contributions, shall be used for recording the value of all items of dwelling equipment furnished as MH contributions, provided such items of equipment would otherwise be purchased by the HA. The charges to this account shall not include the cost of any equipment furnished because the homebuyer desired more or better equipment than the HA would furnish. Ownership of the equipment furnished by a homebuyer as a MH contribution shall be vested with the HA.

#### Nondwelling Structures

- 1470 Nondwelling Structures. This account shall be charged with the cost of nondwelling construction, including administration, maintenance, and community buildings and spaces, as more specifically defined in the following paragraphs.

The principal charges to this account will cover portions of the main construction contract and related contracts which will be determined and distributed to this account at the time of approval of the final billing under the contract. Other costs of nondwelling construction shall be charged directly to this account when incurred.

#### 1470 Nondwelling Structures (continued)

Generally, the main construction contract and related contracts will include charges to be distributed to this account for the following expenditures.

- o Administration Building or Spaces. The cost of structures, plumbing, heating, ventilating, and electrical installation for administration buildings and spaces.
- o Community Buildings or Spaces. The cost of structures, plumbing, heating, ventilation, and electrical installation for all buildings and space used for health, educational, and recreational purposes.

If any of the structures existing on the site at the time of purchase are to be used for nondwelling purposes, this account shall be charged with an amount equal to a reasonable value (as determined by the HA with the approval of HUD) of such structures plus the cost of renovation, if any, necessary to prepare the structures for use.

For Mutual Help Projects, this account shall be subdivided to segregate the various elements of costs to the following accounts.

- 1470.1 Work - MH Contributions. This account shall be charged with



the value of work furnished as mutual help contributions in connection with the construction of nondwelling structures.

1470.2 Materials and Equipment-MH Contributions. This account shall be charged with the value of materials and equipment furnished as mutual help contributions in connection with the construction of nondwelling structures.

1470.3 Other MH Contributions. This account shall be charged with all costs incurred for nondwelling structures, exclusive of the value of work, materials and equipment furnished as mutual help contributions and charged to Accounts 1470.1 and 1470.2.

#### Nondwelling Equipment

1475 Expendable and Nonexpendable. This account shall be charged with the cost of all movable nondwelling equipment including equipment for administration, maintenance, and community buildings and spaces, both expendable and nonexpendable, acquired during the development period.

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1475 Expendable and Nonexpendable (continued)

The principal charges to this account will generally result from special equipment contracts, but may also arise from portions of the main construction contract or related contracts; when nondwelling equipment is included in the main construction contract or related contracts, the cost of such equipment will be determined and distributed to this account at the time of the final billing under the contract.

Equipment purchased solely for use by a specific project and located thereon shall be charged to that project. The cost of equipment purchased for the use of two or more projects or programs (for example, office or maintenance equipment) should be charged to a single project/program whenever possible in order to facilitate the reconciliation of equipment inventory records with the physical inventory.

This account shall be credited with the cost of nondwelling equipment sold prior to the date of full availability (DOFA), the difference between the cost of equipment sold and the proceeds from sale shall be charged to Account 1410.18. When the physical inventory of equipment is taken as of the end of the initial operation period, this account shall be credited and Account 1410.18 shall be debited with the cost of nondwelling equipment which has been lost, stolen, abandoned, destroyed, or expended.

1475.1 Nondwelling Equipment - Office Furniture and Equipment. This account shall be used for recording the cost of office furniture and equipment classified as "nonexpendable" pursuant to established criteria for capitalization of property.

1475.2 Nondwelling Equipment - Maintenance Equipment. This account shall be used for recording the cost of maintenance equipment classified as "nonexpendable" pursuant to established criteria for capitalization of property.

1475.3 Nondwelling Equipment - Community Space Equipment. This account shall be used for recording the cost of community

space equipment classified as "nonexpendable" pursuant to established criteria for capitalization of property.

- 1475.4      Nondwelling Equipment - Computer Equipment. This account (or Account 1475.1) shall be used for recording the cost of computers and peripheral equipment classified as "nonexpendable" pursuant to established criteria for capitalization of property. Computer equipment is defined to include central processing, and peripheral equipment such as input and output machines, data preparation machines, data storage machines, and major components which "upgrade" the processing of computers and/or peripheral equipment.

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- 1475.7      Nondwelling Equipment - Automotive Equipment. This account shall be used for recording the cost of automotive equipment, such as automobiles, trucks, and snow plows. All automotive equipment is normally classified as nonexpendable equipment.
- 1475.9      Nondwelling Equipment - Expendable. This account shall be used for recording the cost of all items of nondwelling equipment (purchased prior to DOFA) classified as "expendable" pursuant to established criteria for capitalization of property.
- 1475.10     Nondwelling Equipment - MH Contributions. This account shall be used for recording the value of all items of nondwelling equipment furnished as mutual help contributions. Ownership of the equipment furnished by a homebuyer as mutual help contributions shall be vested with the IHA.

#### Work in Process

- 1480              Contract Work in Process. This account shall be charged with all approved contract billings on the main construction contract or other construction contracts where the total cost is chargeable to two or more of the subsidiary development cost accounts and where payments are to be in two or more periodic installments. If more than one contract is involved, this account may be subdivided by contract.

Contracts for other than construction and equipment, such as contracts for architectural and engineering services, shall not be charged to this account.

Contracts for construction and equipment, the total cost of which is chargeable to only one of the construction and equipment accounts, shall be charged directly to such account and not to this account.

The balance in this account with respect to each contract shall be distributed to the appropriate subsidiary development cost accounts promptly after approval of the final billing under the contract.

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- 1482              Developer's Contract Price (Turnkey) Work in Process. This account shall be debited with the costs incurred for the developer's price

under a development program for turnkey construction. The developer's price will normally be broken down as follows: site, site improvement, dwelling construction and equipment (nonelderly), dwelling construction and equipment (elderly), nondwelling construction, architectural and engineering services, other.

Upon completion of construction and final payments of the Developer's Price, the balance of this account shall be allocated to the subsidiary development cost accounts 1440, 1450, 1460, and 1470.

1485 Demolition Costs. This account shall be charged with all costs incurred by the HA for demolishing and clearing existing structures and other improvements, disconnecting utilities, and clearing the site.

1495 Relocation Costs. This account shall be charged with all costs incurred for the relocation of individual, families, business concerns, or nonprofit organizations from the site of a low-income housing project in connection with development or modernization.

Charges to this account include amounts paid or payable to displaced site occupants for costs such as the following:

- o Individuals and families for moving expenses and direct losses of property, and for additional relocation payments to assist such persons to acquire decent, safe, and sanitary dwellings;
- o Small business concerns for moving expenses and direct loss of property and other authorized displacement payments;
- o HA direct expenses for the cost of services incident to the relocation of site occupants, including the salaries of administrative personnel assigned full-time duties related to the relocation of site occupants;
- o Settlement costs to displaced occupants for reasonable and necessary expenses incurred in connection with the HA acquisition of property (e.g., recording fees, transfer taxes, mortgage prepayment penalties, pro rata portion of real property taxes); and

1495 Relocation Costs (continued)

Replacement Housing Payments for an owner-occupant of a single or two-family dwelling acquired by the HA.

#### Undistributed Debits

1620 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.

1640 Payrolls. This account may be charged with the gross salaries and wages paid pending distribution to the applicable cost or expense accounts. Charges to this account must be distributed not less frequently than at the end of each **accounting** period.

1660 Other Administration Expense. This account may be charged with unallocated items of other administration expense pending

distribution to the applicable contract cost or expense account. This account may be used also for the accumulation of other administration expense for proration to the projects or other management entities under a single contract with HUD. Charges to this account must be distributed not less frequently than at the end of each **accounting** period.

- 1690 Other. This account may be charged with expenditures which are not applicable to other specific undistributed debit accounts pending determination as to the appropriate account or accounts to be charged. The charges to this account shall be transferred promptly upon determination of the appropriate account or accounts to be charged. In any event, all charges must be transferred before the end of an **accounting** period.

#### Contracts

- 1800 Uncompleted Contracts. The debit balance of this account represents the amount of the uncompleted portion of development and management contracts (contra to Account 1810) as shown in the contract register.
- 1810 Contract Awards - Contra. The credit balance of this account represents the amount of the uncompleted portion of development and management contracts (contra to Account 1800).

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#### Bid Guaranties

- 1820 Undeposited Bid Guaranties. Guaranties submitted with bids for contracts in the form of certified checks, bank drafts, U.S. Government Bonds, or other negotiable securities or instruments, which are not deposited in a bank, shall be charged to this account (and credited to Account 1830) pending award of the bid and the return or other disposition of such guaranties. (See description of Account 21 13 for recording bid guaranties deposited in a bank.)
- 1830 Returnable Bid Guaranties - Contra. This is a contra account in which to record the offsetting credit or debit of all amounts debited or credited to Account 1820. The net credit balance of this account shall be in agreement with the net debit balance in Account 1820.

#### Annual Leave

- 1840 Earned Annual Leave. The use of this account is optional. if the account is used, the debit balance at the close of an **accounting** period should represent the value of the accumulated leave of employees at the end of such period (contra to Account 1850). The amount recorded is reported as a footnote on the Balance Sheet, Form HUD 52595.
- 1850 Allowance for Annual Leave - Contra. The use of this account is optional. if the account is used, the credit balance at the close of an **accounting** period should represent the value of the accumulated leave of employees at the end of such period (contra to Account 1840). No funds may be set aside for this purpose.

#### Compensated Absences

Compensated absences are vacation, sick leave, and other leave benefits accrued by employees. The HA may elect to accrue a

current liability for future compensated absences at the end of the fiscal year in lieu of using Account 1840. Account 1840 may be used to record an amount for either the current or long-term portion of accumulated leave. However, an expenditure accrual must be limited to the amount of probable payment to be made with available resources within 60 days following the end of the fiscal year.

LIABILITIES

Accounts Payable

- 2111 Vendors and Contractors. The credit balance of this account represents amounts payable on open accounts and contract billings for materials received or services rendered. Contract retentions and indebtedness evidenced by formal instrument, such as a note, shall not be included in this account.
- 2112 Contract Retentions. The credit balance of this account represents the amount withheld by the HA from contractors' billings. This account shall be subdivided as follows to segregate the amounts withheld according to the purpose for which the withholding was made.
- 2112.1 Contract Retentions - Fixed. The credit balance of this account represents the amount withheld from contractors' billings (usually a percentage of the amount billed), pending acceptance of the work and final settlement therefor.
- 2112.2 Contract Retentions - Payroll Noncompliances. The credit balance of this account represents the amount withheld from contractors' billings on account of payroll noncompliances (underpayments to workers).
- 2112.3 Performance Deposits. The credit balance of this account represents the amount of liquidated damages withheld from contractors' billings for the use and benefit of the United States on account of violations of the Contract Work Hours Standards Act.
- 2113 Performance Deposits. The credit balance of this account represents the amount of deposits placed with the HA, and deposited in the General Fund, pending refund or other disposition. This account includes items such as earnest money, good faith deposits by contractors and bond purchasers, deposits on blue print, etc. (See description of Accounts 1820 and 1830 for recording deposits which are not deposited in the bank.) Tenant security deposits are not included in this account but are credited to Account 2114.
- 2114 Tenants Security Deposits. The credit balance of this account represents the amount of deposits which are held for tenants and are to be returned on the termination of their leases after deducting therefrom rent due and charges for property damages for which tenants are held responsible. This account may be maintained by project or by any combination of projects under the same contract or it may be further subdivided as desired by the HA.

- 2115 Unclaimed Salaries and Wages. The credit balance of this account

represents the amount of unclaimed salaries and wages due former employees.

- 2115.P Section 8 Accounts Payable - Portable Vouchers. The credit balance of this account represents the amount due to other (Receiving) HAS for HAP payments and administrative fees for Portability participants whose Rental Voucher assistance is administered for the HA by those receiving HAS. A subsidiary ledger shall be maintained to segregate the amounts due to each creditor HA.
- 2116.P Section 8 Accounts Payable - Portable Certificates. The credit balance of this account represents the amount due to other (Receiving) HAS for HAP payments and administrative fees for Portability participants whose Rental Certificate assistance is administered for the HA by those receiving HAS. A subsidiary ledger shall be maintained to segregate the amounts due to each creditor HA.
- 2117 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, Federal Insurance Contributions Act (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, such as income tax withholdings, employee savings bond deductions, pension fund deduction and contributions, FICA deductions and contributions, etc. In preparing financial statements, however, the total of the credit balances of the sub-accounts shall be included in Account 2117.
- 2118 HUD. This account shall be credited with any amounts which become due and payable to HUD with respect to projects under an administration contract or an annual contributions contract.
- 2119 Accounts Payable, Other. The credit balance of this account represents sundry payable items not applicable to other specific accounts.

#### Notes Payable

- 2122 Project Loan Notes - HUD. The credit balance of this account represents development loans payable to HUD. Grant funds received from HUD for development and modernization are not recorded to Account 2122, but to Account 8029.
- 2123 Administrative Notes-HUD. The credit balance of this account represents the amount of outstanding administrative notes payable to HUD. 8/
- 2126 Project Notes - Non-HUD. The remaining balance of all private market project notes issued for development and modernization funding were purchased by HUD in 1985-86 and converted to HUD Permanent Notes, Account 2311.
- 2129 Sundry Notes. The credit balance of this account represents the amount of outstanding notes not allocable to other specific

## Accrued Liabilities

- 2131.1 Interest Payable - Development Notes - HUD. The credit balance of this account represent the accrued interest payable to HUD on project loan or permanent notes. Interest on HUD Permanent Notes subject to forgiveness (see Account 231 1) need not be accrued alter an actual development or modernization cost certificate has been approved by HUD.
- 2131.2 Accrued Liabilities - Interest Payable -Administrative Notes - HUD. The credit balance of this account represents the accrued interest payable to HUD on Administrative Loan Notes.
- 2131.3 Interest Payable - Other Notes deferred Payment) - HUD. The credit balance of this account represents accrued interest payable to HUD on notes for which payment has been deferred until payment in full of all obligations for which any annual contributions are pledged (see description of Account 2351).

8/ This account shall be subdivided or a subsidiary ledger shall be maintained to show the amount of the note applicable to each Homeownership Project.

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- 2132 Interest Payable - Notes Non-HUD. The credit balance of this account represents the accrued interest on notes payable to others than HUD.
- 2133 Interest Payable - Bonds, Non-HUD. The credit balance of this account represents accrued interest payable on Bonds, Non-HUD. The accrued interest received on the sale of Bonds shall be credited to this account.
- 2134 Utilities. The credit balance of this account represents the amount of accrued utility expense, such as water, electricity, gas, etc. Separate accounts for the several kinds of utilities may be established, if desired.
- 2135 Salaries and Wages. The credit balance of this account represents the amount of salaries and wages accrued and unpaid.
- 2136 Insurance. The credit balance of this account represents the amount of accrued insurance expense.
- 2137 Payments in Lieu of Taxes. The credit balance of this account represents the amount of accrued expense for payments in lieu of taxes.
- 2139 Accrued Liabilities. Other. The credit balance of this account represent the amount of accrued liabilities not applicable to other specific liability accounts.

## Trust and Deposit Liabilities

- 2161 Homebuyers Earned Home Payments, TK III. This account shall be credited with (1) that part of the homebuyer's monthly payment designated for the homebuyer's earned home payments account, (2) all voluntary payments made by the homebuyer, (3) the income derived from the investment of earned home payments, and (4) any other funds which may become available for credit to this account.

This account shall be debited with (1) costs incurred by the HA for routine maintenance of the homebuyer's dwelling, (2) amounts applied to the payment of unpaid monthly payments due the HA, (3) the amount refunded to the homebuyer upon termination of the Agreement, and (4) the amount applied to the purchase price of the dwelling. This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer.

2162 Homebuyers Nonroutine Maintenance Reserve, TK III. This account shall be credited with that part of the homebuyer's monthly payment designated for the nonroutine maintenance reserve and with income derived from the investment of the nonroutine maintenance reserve. This account shall be debited with (1) costs incurred by the HA for nonroutine maintenance of the homebuyer's dwelling, (2) the amount, if any, applied to the purchase price of the dwelling, and (3) the amount, if any, refunded to the homebuyer following acquisition of the dwelling. This account shall be supported by a subsidiary ledger showing the balance applicable to each dwelling.

2164 Unapplied Payments on Resale of Dwellings, TK III. The credit balance of this account represents unapplied payments received by the HA from former homebuyers (in Homeownership Projects) on account of the resale or their dwellings at a profit within 5 years of actual residence in their dwellings after becoming homeowners.

This account shall be supported by a subsidiary ledger showing the amount received from each former homebuyer and its application.

2165 Mortgagors or MH Homeowners Taxes and Insurance. This account shall be credited with payments received from mortgagors or MH homeowners for taxes and insurance. This account shall be debited with payments made by the HA for mortgagors or MH homeowners taxes and insurance. This account shall be supported by a subsidiary ledger showing the balance applicable to each mortgagor or MH homeowner.

2166 Mortgagors or MH Homeowners Maintenance Reserve. This account shall be credited with payments received from mortgagors or MH homeowners utilizing HA homeownership financing for a maintenance reserve. This account shall also be credited with the income derived from the investment of the reserve. This account shall be debited with costs incurred by the HA for the maintenance of mortgaged property and with the amount, if any, refunded to the mortgager or MH homeowner. This account shall be supported by a subsidiary ledger showing the balance applicable to each mortgagor or MH homeowner.

2171 MH Homebuyers Monthly Equity Payments. This account shall be credited (and Account 1123 debited) with (1) the amount by which each required monthly payment exceeds the Administration Charge, and (2) the amount of any retroactive rent charges. This account shall also be credited (and Account 2252 debited) with the amount of investment income applied from the investment of monthly equity payments. This account shall be debited with (1) costs incurred by the IHA for maintenance of the homebuyer's dwelling, (2) the amount applied to the payment of unpaid monthly payments to the authority, (3) the amount applied to payment of settlement costs and to the purchase price of the dwelling upon conveyance of the home, (4) the



amount needed to establish the homeowners maintenance reserve in cases where IHA Homeownership financing is used to purchase the home and (5) the amount payable to HUD for application to project debt and/or refundable to the homebuyer upon termination of the homebuyer's Mutual Help and Occupancy Agreement.

If at the end of the fiscal year there is a debit balance in this account, such debit balance shall be charged to the MH Homebuyer's Voluntary Equity Payments Account (debit Account 2172) to the extent of the credit balance in Account 2171. Any remaining debit balance in this account may be charged first to the homebuyer's Refundable MH Reserve (Account 2912) and second to the homebuyer's Unrefundable MH Reserve (Account 2914).

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer

2172 MH Homebuyers Voluntary Equity Payments. This account shall be credited with the periodic or occasional voluntary payments made by the homebuyer over and above his required monthly payments. This account shall also be credited (and Account 2252 debited) with the amount of investment income applied from the investment of the homebuyer's voluntary equity payments. This account shall be debited with (1) the amount refunded to the homebuyer, (2) the amount applied to the payment of settlement cost and to the purchase price of the dwelling, (3) the amount needed to establish the homeowners maintenance reserve, in cases where IHA Homeownership financing is used to purchase the home, and (4) the amount of the debit balance in the homebuyer's monthly equity payments account (Account 2171) to be charged to this account at the end of the fiscal year.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer.

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2180 Family Self-Sufficiency (FSS) Escrow Account. This account shall be credited monthly with the portion of the total tenant payments set aside in the FSS Escrow Account for families participating in the FSS program as authorized in 24 CFR Part 962 and 24 CFR Part 905, Subpart R.

The funds must be placed in an interest bearing account (funds may be pooled with other investments). Account 2180 shall be credited at least annually with the interest earned on (or allocated to) the FSS funds.

This account shall be supported by a subsidiary ledger showing the balance applicable to each participating FSS family. The individual family subsidiary account will be credited at least annually with the interest earned on the FSS funds. Interest will be credited in the same proportion as (a) the amount invested for the individual family at the time of interest allocation is to (b) the total FSS funds invested.

This account shall be debited with FSS escrow funds paid to eligible families. If a family is terminated from the FSS program, or forfeits FSS escrow, the amount of escrow funds retained by the HA shall be debited to this account and credited to Account 3690, Other Income.

Deferred Credits

2210      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 basic annual contribution for leased Section 23/10(c) projects and with the amount of advances received from HUD on account of annual contributions for Section 8. Periodically, but not less often than the end of each fiscal year, this account shall be debited (and the appropriate account in the 8000 group of accounts credited) with the amount of annual contributions earned.

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 (or advances) received for the year. If partial payments (or advances) received for the fiscal year exceed the amount of the earned annual contribution, this account shall be debited (and Account 21 18 credited) with the amount of unearned annual contribution to be refunded to HUD.

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2210              Prepaid Annual Contributions (continued)

The periodic payments received from HUD on account of operating subsidies for HA-owned/leased units are not prepayments and should not be credited to this account unless such payment is received prior to the beginning of the fiscal year for which such subsidies for operations are approved; such periodic payments, when received during the fiscal year for which such subsidies are approved, shall be credited to Account 8020.

This account may be subdivided to segregate partial payments received on account of the basic annual contribution for leased projects and the contributions received for Section 8.

2240      Tenants Prepaid Rents. This credit account is used only in preparing annual financial statements and will consist of the total of individual credit balances of tenants accounts recorded in Account 1122. Such credit balances need not be recorded in this account.

2241      Prepaid Monthly Payments-Homebuyers-Turnkey III Projects. This credit account is used only in preparing annual financial statements and will consist of the total of individual credit balances of homebuyers accounts receivable (Account 1124). Such credit balances need not be recorded in this account.

2245      Prepaid Monthly Payments - MH Homebuyers. This credit account is used only in preparing annual financial statements and will consist of the total of individual credit balances of MH homebuyers accounts receivable (Account 1123). Such credit balances need not be recorded in this account.

2250      Investment Income - Homebuyers Earned Home Payments (EHPA)-Unapplied. This account shall be credited with interest earned on the investment of the Turnkey III homebuyers EHPA (held in either Account 1163 or as part of a pooled investment in Account 1162), and debited or credited, as applicable with the gain or loss of securities specifically purchased from EHPA funds.

The account shall be debited with the amount of investment income allocated and credited to the homebuyer's EHPA (Account 2161). The

credit balance of this account represents investment income not yet allocated. 9/

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- 2251 Investment Income - Homebuyers Nonroutine Maintenance Reserve (NRMR) - Unapplied. This account shall be credited with interest earned on the investment of the Turnkey III homebuyers NRMR (held in either Account 1163 or as part of a pooled investment in Account 1162), and debited or credited, as applicable with the gain or loss of securities specifically purchased from NRMR funds.

The account shall be debited with the amount of investment income allocated and credited to the homebuyer's NRMR (Account 2162). The credit balance of this account represents investment income not yet allocated. 9/

- 2252 Investment Income - MH Homebuyers Equity Payments - Unapplied. This account shall be credited with interest earned on the investment of the MH homebuyer's monthly and voluntary equity payments (MEPA/VEPA) (held in either Account 1163 or as part of a pooled investment in Account 1162), and debited or credited, as applicable with the gain or loss of securities specifically purchased from equity funds.

The account shall be debited with the amount of investment income allocated and credited to the homebuyer's MEPA (Account 2171), or VEPA (Account 2172). The credit balance of this account represents investment income not yet allocated. 9/

- 2260 Land MH Contributions. This account shall be credited (and Account 1400.2 debited) with the approved value, for land contributed by the MH homebuyers, or by the tribe on behalf of the homebuyers towards the development of the project. This account shall be debited (and Account 2914 credited) for the homebuyers' equal shares of the MH land contribution. If the Mutual Help and Occupancy Agreement of a homebuyer who contributed land is terminated before the Date of Occupancy, and if the IHA returns the land or reimburses the homebuyer, this account shall be debited with the amount previously credited for the land contribution.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer.

- 9/ Periodically, but not less often than annually, the net amount of investment income credited to this account shall be prorated and credited to each homebuyer's applicable reserve account. The credit proration may be based on the balance in the homebuyer's account at the end of the period for which the investment income is prorated reduced by the amount of the homebuyer's accounts receivable, if any.

- 2261.1 MH Homebuyers Non-land MH Contribution. This account shall be credited with the sum of the values, as determined by the PHA and approved by HUD, for work, cash, materials and equipment contributed by the homebuyers toward the development of the project, in accordance with their MHO Agreements. The amounts of each respective form of MH contributions shall be credited at the following times: (1) in the case of MH work when all the homebuyers have completed their MH work obligations and (2) in the case of cash, materials or equipment, when such contributions are actually

received. The account shall be (1) debited upon termination of a homebuyer's MHO Agreement before the date of occupancy, with the amount reimbursed to the homebuyer for contributed cash, materials or equipment, (2) debited (and Account 2912 credited) as of the homebuyer's date of occupancy for the amount of MH work, cash, materials and equipment contributed by the homebuyer and (3) debited (and Account 2914 credited) as of the homebuyer's date of occupancy, with the homebuyer's equal share of the credit for non-reimbursed non-land contributions of homebuyers whose MHO Agreements were terminated before the date of occupancy.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer. The subsidiary ledger shall be maintained in such a way that will show at all times the value of the different types of contributions, i.e., work, cash, materials and equipment.

- 2261.2 Tribal Non-land MH Contribution. This account shall be credited with the sum of the values, as determined by the PHA, and approved by HUD, for cash, materials and equipment contributed by the tribe on behalf of the homebuyers toward the development of the project, in accordance with the MHO Agreement. Upon each homebuyer's date of occupancy, this account shall be debited (and Account 2914 credited) for the homebuyer's share of the tribal non-land MH contribution.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer. If the homebuyer's MHO Agreement is terminated, the balance in this account shall be transferred to the subsidiary ledger established for the substitute homebuyer. The subsidiary ledger shall be maintained in such a way that will show at all times the value of the different types of contributions furnished by the tribe, i.e., cash, materials and equipment.

- 2290 Deferred Credits, Other. The credit balance of this account represents sundry receipts which are applicable to a future period, including investment income derived from investment of security deposits pending distribution to the individual tenants.

#### Fixed Liabilities

- 2311 Permanent Notes - HUD. The credit balance of this account represents the unpaid balance of permanent notes issued. This account shall be subdivided or a subsidiary record shall be maintained to show the amount of the note applicable to each homeownership project.

Provisions of Public Law 99-272, enacted April 7, 1986, authorized the Secretary to forgive outstanding principal and interest on HUD-held notes and loans made to HAS. Debt service annual contributions on HUD-held notes ceased as of April 1986. Notes are forgiven periodically by HUD principal plus interest less any excess financing) for projects for which there is a record of an approved actual development or modernization certificate. 10/

- 2312 Permanent Notes - F.F.B. The credit balance of this account represents the unpaid balance of notes which have been issued to the Federal Financing Bank (F.F.B.).
- 2341 New Housing Authority Bonds -Issued. The credit balance of this

account represents the face amount of New Housing Authority Bonds issued.

2342 New Housing Authority Bonds -Retired. The debit balance of this account represents the face amount of New Housing Authority Bonds retired.

2351 Other Notes Payable to HUD (Deferred Payment). The credit balance of this account represents the unpaid principal balance of promissory notes, including mortgage and deed of trust notes, relating to projects for which the preliminary planning or development program has been canceled, for which payment has been deferred until payment in full of all obligations for which any annual contributions are pledged or until funds are otherwise available. The credit balance of this account shall also include the unpaid principal balance of any note payable to HUD for any other type of obligation for which payment has been deferred until payment in full of all obligations for which any Annual contributions are pledged.

10/ Debt forgiveness does not extend to debt financing through the sale of Bonds, or notes sold to the Federal Financing Bank, or to HA notes to HUD which are not retired using debt service annual contributions.

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#### Undistributed Credits

2690 Undistributed Credits. The credit balance of this account represents sundry receipts, the nature of which cannot immediately be 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.

Section 8 Fraud Recovery. This account shall be credited (and Account 1 129 debited) with the total amount of fraud recovery funds due from a Section 8 tenant or owner resulting from either HA-initiated litigation (including settlement of a lawsuit), a court-ordered restitution, or a signed administrative repayment agreement. This account shall be debited with the amount collected after a determination is made of the accounts (Account 3300.1 or Account 4715) to which the collection is applicable.

All credits to this account shall be distributed prior to the end of the fiscal year except for the unpaid balance of Section 8 fraud recovery funds still due.

#### Income and Expense Clearing Account (Optional)

2700 Income and Expense Clearing Account. This account may be used as a clearing account to which the balances of all nominal accounts (except Accounts in the 7000-8000 series) may be transferred at the end of each fiscal year. After these entries have been made, the net balance shall be closed into Account 2810, Unreserved Surplus.

#### SURPLUS

2810 Unreserved Surplus. This account is debited or credited at Fiscal Year-end with the balance of all nominal accounts in the 3000-6000 series of accounts (or the net balance closed from Account 2700), and debited or credited with the Provision for Reserve amounts (Accounts 7010-7027) transferred to the individual

## Operating/Program Reserve Accounts.

The Account 2810 balance (usually a debit) has no significance for audit purposes.

### 2820-2827 Operating/Program Reserves

Each Operating or Program Reserve account represents the cumulative net balance of the Provision for Reserve amounts (Accounts 7010-7027) of the particular HUD assisted program as calculated on either the annual HUD 52599 (Statement of Operating Receipts and Expenditures) or the HUD 52681 (Year-end Settlement Statement for Section 8).

2820 Reserved Surplus - Operating Reserve - Locally Owned Projects. This account shall be credited (and Account 7010 debited) with the amounts reserved from operating receipts of locally owned Federally aided low-rent projects to cover future operating deficits applicable to such projects. If, at the end of any fiscal year, there is a deficiency in residual receipts applicable to these projects, this account shall be debited (and Account 7010 credited) with the amount of such deficiency to the extent of the credit balance in this account.

2821 Reserved Surplus - Operating Reserve - Leased Projects. This account shall be credited (and Account 7011 debited) with the amounts reserved from operating receipts of leased low-income projects to cover future operating deficits applicable to such projects. If, at the end or any fiscal year, there is a deficiency in residual receipts applicable to these projects, this account shall be debited (and Account 7011 credited) with the amount of such deficiency to the extent of the credit balance in this account.

2822 Reserved Surplus - Operating Reserve - MH Projects. At the end of each fiscal year this account shall be (1) credited (and Account 7012 debited) with the amount by which operating receipts of a MH project exceed the operating expenses of the project or (b) debited (and Account 7012 credited) with the amount by which the operating expenses exceed the operating receipts of the project to the extent of the credit balance in this account.

2823 Reserved Surplus - Operating Reserve - Turnkey III - Homeownership Projects. This account shall be credited (and Account 7013 debited) with the amounts reserved from operating receipts of a homeownership project (locally owned or leased) to cover future operating deficits applicable to such project. If, at the end of any fiscal year, there is a deficiency in residual receipts applicable to a project, this account shall be debited (and Account 7013 credited) with the amount of such deficiency to the extent of the credit balance in this account.

A separate account shall be maintained for each Turnkey III Homeownership Project.

2824 Reserved Surplus - Operating Reserve - Section 23 HAP Projects. This account shall be credited (and Account 7014 debited) with the amount by which total operating receipts of Section 23 HAP Projects exceed total operating expenditures of such projects for the fiscal

year. If total operating expenditures exceed total operating receipts for a fiscal year, the amount of such excess (deficit) shall be debited to this account (and credited to Account 7014), to the extent of the credit balance in this account.

A single account may be maintained for all Section 23 HAP Projects.

2825      Reserved Surplus - Contingency Reserve - Unfunded - Section 23 HAP-Projects. This account shall be credited (and Account 7025 debited) with the amount of the annual contribution approved by HUD for the project 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 - Section 8 HAP Projects. This account shall be credited (and Account 7016 debited) with the amount by which total operating receipts of Section 8 HAP Projects exceed the total operating expenditures of such projects for the fiscal year. If the total operating expenditures exceed the total operating receipts for a fiscal year the amount of such excess (deficit) shall be debited to this account (and Account 7016 credited), to the extent of the credit balance in this account. A single account shall be maintained for all Section 8 HAP Projects.

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 Section 1.4 (c) of the annual contributions contract. If the amount of the annual contributions required for any fiscal year exceeds the maximum annual contributions set forth in Section 1.4 (a) of the annual contribution 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 New and Rehab Project. One account shall be maintained for all the HA's Section 8 Existing Projects.

2840      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 Federally-aided projects under an annual contributions contract, including locally-owned low-income projects, locally owned homeownership projects, MH projects, leased low income projects, and leased homeownership projects. The credit balance of this account shall include (1) annual contributions for debt service, (2) the basic annual contributions for leased projects, (3) annual contributions for operating subsidies and (4) any additional annual contributions made available for any other purpose.

2845      Cumulative HUD Grants for Development/Modernization. The credit balance in this account represents the total amount of funds received from HUD for development or modernization of HA property covered by an ACC. This account may be subdivided to accumulate

data as to the cumulative amount of HUD funding applicable to the various projects.

2850 Cumulative Donations. The credit balance of this account represents the reasonable value of property donated to the project, as determined by the HA with the approval of HUD. An analysis of this account shall be maintained to show, by project, the value of donated property and the cost of property purchased from cash donations to development classified according to the subsidiary development cost accounts to which such property is charged. Cash donations received for operations from State and/or local governments, individuals, or private corporations are not recorded to this account; such donations are recorded to Account 3690, Other Income.

2854 Replacement Reserve - Proceeds from Sale of Dwellings: Retained by HA. The credit balance in this account represents the proceeds from sale of HA-owned dwelling units that are eligible funds for retention by the HA. Funds that are not eligible for retention by the HA, and that are remitted to HUD for reduction of the project debt, are recorded in Account 2855 (Turnkey III), or Account 2857.1 (MH). (For more information on **accounting** procedures see the preface to Accounts 8112-8116).

Funds in Account 2854 can be transferred, with HUD approval, to the Operating Reserve or Replacement Reserve of another HA-owned program within the same ACC or in another ACC. In addition, funds in this account may, in accordance with terms and conditions of use approved by HUD, be used for lower income housing purposes not covered by a specific ACC.

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2854 Replacement Reserve - Proceeds from Sale of Dwellings: Retained by HA (continued)

Account 2854 may be credited with proceeds from sale eligible for retention by the HA only after title conveyance to the homebuyer. This account will be credited with interest income earned on funds in the Replacement Reserve, and debited with the amount of funds transferred to other Reserve accounts for use in accordance with applicable HUD approved waivers and ACC amendments and/or Use Agreements.

A single Account 2854, Replacement Reserve - Proceeds from Sale of Dwellings may be maintained for all homeownership projects within an ACC. The account may be subdivided to segregate funds applicable to a specific HUD-approved homeownership plan.

The HA must maintain adequate records to track the receipt, retention, and expenditure of sale proceed funds in sufficient detail to allow monitoring of compliance with the HUD-approved homeownership plan, to prepare any reports required by HUD, and to meet its audit responsibilities.

2855 Cumulative Proceeds from Sale of Dwellings: Remitted to HUD. 11/  
The credit balance of this account represents the cumulative proceeds which have been remitted to HUD from the sale of dwellings in Turnkey III projects to homebuyers, plus the cumulative payments received from former homebuyers on account of the resale of dwellings at a profit.

2857.1 Cumulative Proceeds from Sale of MH Dwellings: Remitted to HUD. The



credit balance of this account represents the cumulative proceeds which have been remitted to HUD from the sale of dwellings to MH homebuyers, including that portion of the homebuyers monthly equity payments and voluntary equity payments applied to the purchase price of the home but not the application of the homebuyers unfunded reserves to the purchase price (see Account 2857.2). This account shall also be credited with the mortgage payments received from homeowners subject to IHA financing.

2857.2 Cumulative MH Unfunded Reserves Applied to Purchase Price of Dwellings. The credit balance in this account represents the cumulative amount of MH unfunded reserves (refundable and unrefundable) applied to the purchase price of the dwellings.

11/ The balance, if any, of Account 2856, which has been deleted in this **guidebook**, may be combined with Account 2855.

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2860 Book Value of Projects Conveyed by HUD. The credit balance of this account represents the book value (acquisition cost less cumulative depreciation to date of conveyance) of all land, structures, and equipment of former Federally owned PWA and Public War Housing Projects conveyed to the HA for low-income use. The net book value to be recorded in this account will be furnished by HUD as of the date of conveyance. This account shall not be debited or credited for cost of property acquisitions or dispositions subsequent to the conveyance of the project.

2870 Contract Payments to HUD - Conveyed Projects. The debit balance of this account represents the cumulative amount of residual receipts from operations, proceeds from the disposition of nonexpendable equipment not replaced, and proceeds from disposition of excess real property which have been paid or are payable to HUD for former Federally owned PWA and Public War Housing Projects conveyed to the HA for low-income use.

2880 Development Cost - Undeveloped Projects. The debit balance of this account represents the development cost incurred in connection with projects for which the preliminary planning or development program has been canceled, exclusive of cost of any personal property acquired and on hand at the time of cancellation. This account shall be charged directly with the quarterly or annual accrual of interest on the notes payable to HUD in connection with such canceled projects (see description of Account 2351).

2890 Surplus - Cost of Dwelling Conveyed to Homebuyers. This account shall be debited (and Account 1400.4, credited) with the cost of dwellings conveyed to homebuyers. For the purpose of writing off the cost of dwellings conveyed, an estimate of the unit share of development cost may be used, or the initial purchase price established for the initial homebuyer (if known) may be considered the cost of such dwelling when it is conveyed. No entry is required to the Property Ledger subsidiary accounts.

#### Capital Contributions (New Mutual Help)

2912 Refundable MH Reserve. Upon occupancy of the dwellings this account shall be credited (and Account 2261.1 debited) for the homebuyer's non-land MH contribution. At the end of each fiscal year, this account may be charged with the debit balance, if any, in the homebuyer's Monthly Equity Payments Account (Account 2171) after first charging the homebuyer's Voluntary Equity Payment Account

(Account 2172).

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2912                      Refundable MH Reserve (continued)

Upon purchase of the home by the homebuyer, this account shall be debited and Account 8116.2 credited with the amount applied to the purchase price of the dwelling and Account 2166 shall be credited with the amount needed, if any, to establish the MH homeowner's maintenance reserve. The balance in this account may also be used for percent of settlement costs upon purchase of the home.

If the homebuyer terminates his MHO Agreement, the balance in this account after paying amounts owed to the IHA shall be refunded to the homebuyer.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer.

2914                      Unrefundable MH Reserve. The account shall be credited (1) with the homebuyer's equal share of the land MH contribution (Account 2260) and with equal shares of the non-land MH contributions (Account 2261.1) of homebuyers whose MHO Agreements were terminated before their dates of occupancy and (2) with the amount of any tribal non-land MH contribution (Account 2261.2) made on behalf of the homebuyers.

This account may be charged with the debit balance, if any, in the homebuyer's Monthly Equity Payments Account (Account 2171) after first charging the homebuyer's Voluntary Equity Payments (Account 2172) and the homebuyer's Refundable MH Reserve (Account 2912).

Upon purchase of the home by the homebuyer, this account shall be debited and Account 8116.2 credited with the amount applied to the purchase price of the dwelling; and Account 2166 shall be credited with the amount needed, if any, to establish the homeowners maintenance reserve. The balance in this account is not refundable to the homebuyer.

This account shall be supported by a subsidiary ledger showing the balance applicable to each homebuyer.

Operating Income

3000                      Operating Income (Control). This account shall be credited with the aggregate amount of operating income derived from all sources and shall control the detail entries recorded in the 3000 group of subsidiary operating income accounts.

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Section 8 Income Accounts

3300                      Section 8 Interest on Reserved Surplus - Operating Reserve. This account is credited with interest income on Operating Reserve funds. This account is also credited with any gain and debited with any loss on securities sold.

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 Rental Vouchers, Rental

Certificates, and each Moderate Rehabilitation increment. This account is not a subsidiary to Account 3000.

3300.P Section 8 Income - Portability. The credit balance of this account represents the amount earned as administrative fees for Portability participants whose assistance is administered by the HA on behalf of other (Initial) HAs.

3300.1 Section 8 Fraud Recovery Funds Retained. This account shall 'be credited (and Account 2860 debited) with the portion of Section 8 fraud recovery funds collected from tenants/owners that are to be retained by the HA. (See PIH Notice 94-46, July 1994). This account is not a subsidiary to Account 3000.

#### SUBSIDIARY ACCOUNTS TO GENERAL LEDGER ACCOUNT 3000

##### Rental Income

3110 Dwelling Rent. This account shall be credited monthly with the net amount of dwelling income payable by the tenants/homebuyers to the HA as indicated below. This account is also credited with the amount of retroactive rent due from tenants in HA-owned/leased rental and homebuyers in Turnkey III projects (see also Account 6010).

HA-owned rental. For rental projects, this account shall be credited with the total monthly tenant rent. When utilities are supplied by the HA, the tenant rent charged by the HA includes the cost of those utilities. When utilities are the responsibility of the tenant, the HA deducts a utility allowance for the unit when calculating the amount of rent due to the HA. If the rent calculation, after deducting the utility allowance, results in a utility reimbursement due to the tenant, the amount of such utility reimbursement is included on the rent roll and is debited to this account. (The HA will pay the utility reimbursement amount to the tenant or to the utility company on behalf of the tenant.)

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3110 Dwelling Rent (continued)

Turnkey III. For TK III homeownership projects, this account shall be credited with the amount by which total monthly payments charged to homebuyers exceeds the total of the monthly amounts required for (i) the homebuyers earned home payments account (Account 2161) and (ii) the homebuyers nonroutine maintenance reserve (Account 2162). In the event total monthly payments charged to homebuyers is less than the sum of the amounts required for items (i) and (ii) above, the amount of such deficiency shall be debited to this account.

Mutual Help. For MH homeownership projects, the amount credited to this account is the administration charge portion of the required monthly payment. If the required monthly payment exceeds the administration charge, the excess is credited to the homebuyer's Monthly Equity Payments Account (Account 2171). Utility reimbursements do not apply to MH projects; retroactive rent charges are credited to Account 2171 and not to Account 3110.

3120 Excess Utilities. This account shall be credited with charges to tenants or to homebuyers for excess utility consumption for HA supplied utilities.

3190 Nondwelling Rental. This account shall be credited with the rent,

including charges for utilities and equipment, billed to lessees of nondwelling facilities and of dwelling units rented for nondwelling purposes. This account shall not be credited with charges to other projects or programs for central office management and maintenance space (see Account 3690).

#### Nonrental Income

3610 Interest on General Fund Investments. This account shall be credited with interest earned after the End of the Initial Operating Period on general fund investments (see description of Account 1162, Investments - General Fund). If the HA elects to record the periodic increment in value of U.S. Savings Bonds, the amount of such increment shall, alter the End of the initial operating period, be credited to this account. Interest earned on the investment of tenant security deposits shall be credited to this account if such interest is not credited and paid to the tenant.

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3610 Interest on General Fund Investments (continued)

This account shall also be credited with any gain and debited with any loss on the sale of securities alter the end of the initial operating period, representing the difference between the total cost of securities sold, exclusive of accrued interest at date of purchase, and the net amount received from the sale of securities, exclusive of accrued interest at date of sale. For purposes of determining the gain or loss on the sale of securities, "cost" includes brokerage and other costs of acquisition, plus any premium paid or less any discount received at time of purchase of the securities (also see Account 1162). If preferred, the premium paid may be amortized by a periodic charge to this account and a corresponding credit to Account 1162; and the discount received may be amortized by a periodic charge to Account 1162 and a corresponding credit to this account. Prior to the Date of Full Availability, interest earned on General Fund investment of development funds, or the gain or loss on the sale of such securities, shall be recorded in Account 1420.7; alter the Date of Full Availability, interest on such investments shall be recorded in Account 1425/3610, up to the End of the Initial Operating Period. (See also the description of Accounts 1420.7 and 1425/3610)

This account shall not be debited with accrued interest paid on the purchase of securities; such interest shall be debited to Account 1145. This account shall not be credited with income derived from the investment of homeownership reserve funds (see Account 1 163); such interest will be credited to Accounts 2250, 2251, or 2252.

3680 Assessments - Homeowners. This account shall be credited with the monthly assessments charged to the homeowners of homeownership projects for services provided such homeowners by the HA. Such services would include, but are not limited to, the maintenance and operation of community facilities, including utility facilities, if any, the maintenance of grounds and other utility facilities, if any, the maintenance of grounds and other common areas, and for such other purposes as may be determined by the homeowners association, including provision for reserve.

3690 Other Income. This account shall be credited with income from the operation of the project which cannot be otherwise classified. Income credits to this account include, but not limited to, penalties for delinquent payments; sales and services to tenants;

rental of equipment; receipts from telephone pay stations; charges for use of community space; charges to other projects or programs for the use of central office management and maintenance space; commissions and profits from vending machines (except when vending machines are operated by tenant groups), including washing machines and rental of space in community or administration buildings for laundry equipment on a contractual or other basis; income received from oil leases, including royalties; and premiums on project notes.

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3690                      Other Income (continued)

This account shall also be credited with cash donations for operations received from State and/or local governments, individuals, or private corporations, and with amounts received from the Bureau of Indian Affairs (BIA) pursuant to a contract providing financial assistance to an IHA for management purposes.

This account may be subdivided to segregate amounts which are excluded from the projection of "other income" used in the calculation of Performance Funding System (PFS) operating subsidy, or for other purposes.

Operating Expense

4000                      Operating Expense (Control). This account shall be charged with the aggregate amount of all operating expense and shall control the detail entries recorded in the 4000 group of subsidiary operating expense accounts.

4000.P                      Section 8 Portability Expense (Control). This account is charged with the aggregate amount of all Portability operating expenses and controls the detail entries recorded in the 4000.P group of subsidiary accounts.

SUBSIDIARY ACCOUNTS TO GENERAL LEDGER ACCOUNT 4000/4000P

4010 &                      Preliminary Administrative Expenses (Section 8.) See Handbook  
4012                      7420.6, Housing Assistance Payments Program **Accounting**, for  
                                 descriptions of these accounts.

4012.P                      Section 8 Preliminary Administrative Expense - Portability. This account is debited by the amount of eligible preliminary expenses incurred for Portability and is credited by the amount of special preliminary portability fees requisitioned from HUD. It is a subsidiary to Account 4000.P.

4110                      Administrative Salaries. This account shall be charged with the gross salaries earned by HA personnel engaged in administrative duties and in the supervision, planning, and direction of maintenance activities and operating services during the operations period. It shall include the salaries of the executive director, assistant executive director, accountants, **accounting** clerks, clerks, secretaries, switchboard operators, project managers, management aides, purchasing agents, engineers, draftsmen, maintenance superintendents, and all other employees assigned to administrative duties and/or maintenance supervision in the central office, project offices, or other organizational units of the HA.

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4110                      Administrative Salaries (continued)

This account shall not be charged with any part of the gross salaries earned by architectural and engineering personnel employed for the sole purpose of preparing plans and specifications for an extraordinary maintenance job or for a property betterment and addition job; such salaries shall be considered a part of the cost of the job and charged to Account 4610 or 7540, as applicable. Also, the salaries earned by personnel whose duties are primarily to provide resident families with services that contribute to achieving the social goals of the low-income housing programs shall not be charged to this Account 4110; such salaries shall be charged to Account 4210. The salaries of personnel engaged in both the performance of maintenance and the supervision of a maintenance crew (such as a maintenance foreman) shall not be charged to this account, but to Account 4410.

An HA with a very small program which has an employee whose normal duties include both administrative duties and the performance of actual maintenance and operating services shall prorate the salary of such employee to this Account 4110 and to Account 4410 on an equitable basis.

4130 Legal Expense. This account shall be charged with retainers and fees paid to attorneys for legal services relating to the operation of the projects. This account shall also be charged with the gross salaries earned by staff attorneys for legal work relating to the operation of the projects. The salaries earned by secretaries, stenographers, or typists assigned to such staff attorneys shall not be charged to this account, but to Account 4110. 12/

This account shall not be charged with:

- o legal fees paid to attorneys in connection with the eviction of tenants or the collection of amounts due from tenants; such fees, if not legally chargeable to tenants, shall be charged to Account 4190, or
- o any part of the salary of an attorney employed in an administrative position, such as executive director, assistant executive director, etc., although such attorney may perform certain legal work incidental to his administrative duties; such salary shall be charged to Account 4110.

12/ The term "staff attorney," as used in this description, means an attorney employed at a fixed salary for the primary purpose of furnishing general legal advice and assistance and for handling litigation relating to the planning, development, and operation of HUD-aided low-income projects and any other program being administered by the HA.

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4140 Staff Training. This account shall be charged with all costs incurred by the HA for staff training. Costs chargeable to this account may include:

- o tuition and fees, books, materials, supplies, and other expenses directly related to employee training,
- o travel, subsistence or per diem, and registration fees for attendance at special meetings or seminars or for visits to neighboring HAs to study procedures and techniques of the low-rent program,

- o contract costs or fees for visiting instructors or consultants for short term training program where the size of the staff warrants such method, and
- o the cost of developing training manuals or other training aids.

This account shall not be charged with the cost of training incurred in connection with tenant services or protective services; such costs shall be charged to Account 4230 or Account 4480, as applicable.

4150 Travel This account shall, except as otherwise provided below, be charged with travel expenses of officials and employees of the HA traveling on official business. Travel expenses include all transportation costs (such as, bus, train and plane fares; taxi fares; allowances paid to employees for use of privately owned automobiles), subsistence allowances, etc. Travel expenses may also include registration fees incurred in connection with attending conventions and meetings of organizations which the HA determines will be useful to the conduct of its business.

This account shall not be charged with:

- o travel expenses incurred in connection with an employee training program; such expenses shall be charged to Account 4140,
- o the cost of automobile hire or allowances paid to employees for use of privately owned automobiles when such vehicles are used in connection with the performance of maintenance and operating services; such costs shall be charged to Account 4430,

4150 Travel (continued)

- o the cost of automobile hire or allowances paid to employees for use of privately owned automobiles when such vehicles are used in connection with tenant service activities; such costs shall be charged to Account 4230, or
- o the cost of automobile hire or allowances paid to employees for use of privately owned automobiles when such vehicles are used in connection with protective services; such costs shall be charged to Account 4480.

4170 **Accounting** Fees. This account shall be charged with fees to accountants or computer service firms for maintenance of the HA's books of account.

4171 Auditing Fees. This account shall be charged fees paid to independent public accountants for periodic audit of the HA's books of account.

4180 Office Rent - HAP. 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 HA is used for any program other than the HAP program, the HAP program shall only be charged with its allocable share of the cost.

4190 Sundry - Other Administrative Expenses. This account is provided for recording the cost of all items of administrative expense for which no specific account is prescribed in this 4100 group of accounts. It includes, but is not limited to, the cost of items such as reports and **accounting** forms; stationery and other office supplies, postage; telephone and telegraph services; messenger services; armored car service; rental of office space; advertising for bids; fiscal agent fees; and the like. This account shall also be charged with:

- o costs incurred for publications (i.e., preparation, printing and distribution of annual reports and other informational literature relating to low-income program),
- o the cost of periodicals, books, and other literature deemed useful to the low-income housing program,

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4190 Sundry - Other Administrative Expenses (continued)

- o dues and fees for membership in, and payment of services of, organizations supplying technical or professional information and/or services concerning the housing program,
- o fees paid to attorneys or collection agents and court costs incurred in connection with the collection of amounts due from tenants which are not chargeable to tenants, and
- o incidental express, freight, or other shipping charges not identified with the charged to the same account as the article shipped.

#### Tenant Services

4210 Salaries. This account shall be charged with the gross salaries of HA personnel whose duties are primarily to provide resident families with services that contribute to achieving the social objectives of the low-income housing program. Such services would include community agency referrals on family welfare, health, and other problems; counseling on household management, housekeeping, budgeting, child care; advice as to resources for job training and placement. Such employees would include, but not be limited to, the social services advisor, community services coordinator, social services aides--which may be residents and clerical and other employees assigned to the tenant services staff. This account shall be charged with wages, if any, paid to residents participating in HA training programs authorized and approved under Sections 903 and 904 of the Housing and Urban Development Act of 1970. Upon completion of training, if the resident is hired on a full-time or part-time basis, the salary shall be charged to the appropriate account reflecting salaries (i.e., administration, maintenance, tenant services, etc.).

In the event work in connection with tenant services activities is performed by HA personnel on a casual basis (e.g., on their day off, holidays, Saturdays, Sundays), this account shall be charged with the gross amount earned by such employees for such period. This account shall not be charged with any part of the salaries earned by the executive director, assistant executive director, project managers, staff attorneys, or any other HA personnel whose duties are not directly or principally related to tenant services even though they may perform certain of these services incidental



to their regular assigned duties. Such salaries shall be charged to the account(s) to which they would normally be charged.

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4220 Recreation, Publications, and Other Services. This account shall be charged with costs incurred for services directly related to meeting resident needs and supporting a wholesome living environment. Such costs include, but are not limited to, resident transportation and admission fees to recreation sites and places of interest; materials and expendable equipment for games; arts and crafts materials; resident newspapers or similar publications. This account shall also be charged with the cost of resident transportation to health clinics, job training programs, and similar community resources not within walking distance; and all other costs directly attributed to providing tenant services for which no other specific account is prescribed.

This account shall not be charged with the cost of any item of non-expendable equipment, property betterments and additions. Such cost are chargeable to the appropriate account(s) in the 7500 group of accounts.

4230 Contract Costs, Training, and Other. This account shall be charged with contract costs (the cost of services for labor, materials, and supplies furnished by a firm or persons other than HA employees) in connection with tenant services activities; and the payment of fees or reimbursements to the other HA or public bodies, for furnishing personnel and/or services to implement tenant-serving activities. Contract costs for training HA employees and residents in the techniques of providing services to residents are likewise charged to this account.

This account shall also be charged with the cost of automobile rental or with allowances paid employees for the use of privately owned automobiles when such vehicles are used in connection with tenant services activities.

This account shall not be charged with travel costs incurred by HA personnel in connection with travel to conventions, workshops, or out-of-town travel; such costs shall be charged to Account 4150.

This account shall not be charged with the cost of any item of non-expendable equipment, property betterments and additions. Such cost are chargeable to the appropriate account(s) in the 7500 group of accounts.

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Utilities

4310 Water. This account shall be charged with the cost of water purchased for HA use.

4320 Electricity. This account shall be charged with the cost of electricity purchased for all purposes.

4330 Gas. This account shall be charged with the cost of gas (natural, artificial, or liquefied) purchased for all purposes.

4340 Fuel. This account shall be charged with the cost of coal, fuel oil, steam purchased, and any other fuels (except electricity and

gas) used in connection with HA operation of plants for the heating of space or water supplied to tenants as a part of rent.

4350 Labor. This account shall be charged with the gross salaries and wages, or applicable portions thereof, of HA personnel engaged in the operation of water supply plants, liquefied gas plants, heating plants, and sewage disposal plants owned and operated by the HA.

This account shall not be charged with the salaries or wages of employees engaged in the maintenance of utility plants owned by the HA; such costs shall be charged to Account 4410.

This account shall be charged with the cost of utilities for which other accounts are not specifically provided including, but not limited to, sewer charges and all costs for materials and supplies, expendable equipment, and contracts for the operation (but not the repair and maintenance) of heating plants, water supply plants, liquefied gas plants, and sewerage disposal plants, owned and operated by the HA, including any portion of such costs which is applied as a reimbursement of payment for off-site utilities.

The charges to this account shall include the cost of materials and supplies used, and contracts for (1) boiler water treatment, such as chemicals for filtration, chlorination, water softening, or sedimentation processes; (2) cleaning tanks and disposal of sludge; (3) testing heating and hot water plant operation, water purification, or sewerage effluent; and (4) the operation of pumping plant.

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4390 Other Utilities Expense (continued)

The cost of materials and supplies used, and contracts for the repair and maintenances of utility plants shall not be charged to this account, but shall be charged to Account 4420 or Account 4430, as applicable.

#### Ordinary Maintenance and Operation

4410 Labor. This account shall be charged with the gross salaries and wages, or applicable portions thereof, of HA personnel engaged in the routine maintenance of the project. It shall also be charged with the salaries and wages of personnel engaged in operating services, such as janitorial services, elevator service, extermination of rodents and household pests, and rubbish and garbage collection.

If any of the normal maintenance staff of the HA are detailed to jobs other than routine maintenance, the salaries and wages of such employees while so engaged shall not be charged to this account, but to the account or accounts to which such costs are chargeable, such as extraordinary maintenance, Account 4610; casualty losses, Accounts 4620 or 7560; or property betterments and additions, Account 7540.

4420 Materials. 13/ This account shall be charged with the cost of materials, supplies, and expendable equipment used in connection with the routine maintenance of the project, including the operation and maintenance of automotive and other movable equipment, (such as gasoline, oil, grease, batteries, and tires etc.). This account shall also be charged with the cost of materials, supplies, and expendable equipment used in connection

with operating service, such as janitorial services, elevator services, extermination of rodents and household pests, and rubbish and garbage collection.

The cost of materials, supplies, and expendable equipment furnished by a contractor (firm or individual) in connection with the performance of routine maintenance or operating services shall not be charged to this account, but to Account 4430.

- 13/ The term "cost of materials" as used in this description shall include the cost of items of equipment of a capital nature (but not nonexpendable equipment), such as water heaters, motors, and bathroom equipment, which are normally considered a part of the cost of real property when attached or installed in a fixed position.

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- 4430 Contract Costs. This account shall be charged with contract costs (i.e., the cost of services for labor, materials, and supplies furnished by a firm or by persons other than HA employees) incurred in connection with the routine maintenance of the project, including the maintenance of automotive and other movable equipment (such as washing, greasing, polishing, and repair services). This account shall also be charged with contract costs incurred in connection with operating services, such as janitorial services, elevator service, extermination of rodents and household pests, and rubbish and garbage collection.

This account shall also be charged with the rental of automotive equipment including mileage and/or allowances paid to the HA employees for use of their privately owned vehicles, used in connection with the performance of maintenance and operating services.

- 4431 Garbage and Trash Removal. This account shall be charged with the cost of removing garbage and rubbish from the project. It also includes the cost (on-site, off-site, or through fees or assessments) of complying with local recycling requirements. The account does not include salaries paid to janitors who collect the trash as part of routine project maintenance.

#### Protective Services

- 4460 Labor. This account shall be charged with the gross salaries and wages earned by HA personnel, including tenants, engaged solely or primarily in providing protective services to the projects and tenants. Such employees would include personnel engaged in project police, guard and watchman duties. This account shall not be charged with any part of the salaries earned by the executive director, project manager, or other HA personnel whose duties are not directly or principally related to providing protective services.
- 4470 Materials. This account shall be charged with the cost of materials, supplies, and expendable equipment used in connection with providing protective services. This includes such cost as uniforms and other personal equipment and the operation and maintenance of electronic detection equipment and devices, alarm systems, communication equipment (e.g., walkie-talkie), and operation and maintenance of automotive and other movable equipment used solely or primarily for providing protective services.
- 4480 Contract Cost. This account shall be charged with costs incurred in connection with contracts entered into with tenant organizations;

municipal entities; and private security services for providing protective services.

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4480 Contract Cost (continued)

This account shall be charged with other contract costs, including servicing of equipment and devices, rental of automotive equipment, and mileage and/or other allowances paid to HA personnel for use of their privately owned vehicles in connection with providing protective services.

This account shall also be charged with the contract costs of a professional consultant or recognized expert in crime control engaged to develop protective services plans for the HA.

This account shall not be charged with travel costs incurred by HA personnel in connection with travel to conventions, workshops, trips to local HUD offices, or other out-of-town travel; such costs shall be charged to Account 4150.

This account shall not be charged with the cost of any item of non-expendable equipment of property betterments and additions; such costs are chargeable to the appropriate account(s) in the 7500 group of accounts.

General Expense

4510 Insurance. This account shall be charged with the applicable amount of all insurance and fidelity bond premiums including insurance for workman's compensation.

4520 Payments in Lieu of Taxes. This account shall be charged with all payments in lieu of taxes accruing to a municipality or other local taxing body, including that portion of payments in lieu of taxes which is to be applied as a reimbursement of payments of off-site utilities.

4530 Terminal Leave Payments. This account shall be charged with payments to employees for unused leave, pursuant to the HA's established personnel policy, due upon termination of employment with the HA.

If a former employee is reemployed prior to the expiration of the annual leave for which payment has been made, the portion of the terminal leave payment refunded to the HA upon re-employment shall be credited to this account.

4540 Employee Benefit Contributions. This account shall be charged with HA contributions to employee benefit plans such as pension, retirement, and health and welfare plans. It shall also be charged with administrative expenses paid to the state or other public agency in connection with a retirement plan, if such payment is required by state law, and with trustee's fees paid in connection with a private retirement plan, if such payment is required under the retirement plan contract.

Insurance expense for workman's compensation shall not be charged to this account, but shall be charged to Account 4510.

Deductions from compensation of employees for pension, retirement, and health and welfare plans shall not be charged to this account, but shall be considered a part of their gross earnings and charged to the appropriate salary or labor account.

4570 Collection Losses. This account shall be charged with the amount of past-due accounts of tenants who are no longer occupying a dwelling unit in a project under the jurisdiction of the HA after all means of collection have been exhausted. Accounts to be charged to collection losses 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. Collection loss amounts for MH and Turnkey III are accounts receivable balances after offset of applicable homebuyer reserves.

This account shall be credited with collections made on accounts previously charged to collection losses.

Allowance for Doubtful Tenant Accounts. As an option to expensing annually in Account 4570 only uncollectible amounts for vacated accounts, the HA (with Board approval) may estimate the amount of uncollectible tenant accounts receivable at the end of the reporting period and record an offsetting credit for the expensed amount to an Allowance for Doubtful Tenant Accounts. If this option is used, the Allowance for Doubtful Tenant Accounts (rather than Account 4570) is debited, and Tenants Accounts Receivable (Account 1122) credited, when the unit is vacated and all collection efforts have failed. The Balance Sheet must reflect separately the total balance in Account 1122 for all tenants accounts receivable not formally written off and the offsetting amount of Allowance for Doubtful Tenant Accounts.

Regardless of which method is used, tenants accounts receivable (Account 1122) may not be formally written off unless the unit is vacant and the amount due from the former tenant is considered uncollectible.

4580 Interest on Administrative and Sundry Notes. This account shall be charged with interest accruing on administrative notes payable to HUD. It shall also be charged with interest accruing on sundry notes other than off-site facility notes payable to HUD; interest accruing on off-site facility notes is chargeable to Account 5610.

This account shall also be charged with that portion of the interest on monies borrowed for development of the project which, with the approval of HUD, is to be paid from operating receipts.

4590 Other General Expenses. This account is provided for recording the cost of all items of general expense for which no specific account is provided in this 4500 group of accounts. It shall include (1) costs arising from personal injury to persons and damages to property other than that of a locally owned or leased project, and (2) the loss of cash and/or securities resulting from robbery or theft, which is not covered by insurance, to the extent that such cash and/or securities are not recovered. Unaccountable differences in inventories of materials, supplies, and expendable equipment shall be charged or credited to this account, as appropriate.

4610           Extraordinary Maintenance. This account shall be charged with all costs (labor, materials and supplies, expendable equipment, and contract work) of repairs, replacements (but not replacements of nonexpendable equipment), and rehabilitation of such substantial nature that the work is clearly not a part of the routine maintenance and operating program. Examples of this would be replacement of all or a substantial portion of gas and heating lines, regrading and rehabilitation of the grounds, and the replacement of substantial portion of roof structures. Any item budgeted as extraordinary maintenance shall be charged to this account.

A HA may not find it necessary to use this account in a particular year, since with an adequate preventive routine maintenance program and proper design and construction, the need to undertake extraordinary maintenance projects may never develop.

Whenever extraordinary maintenance work is undertaken, it is likely that the HA will find it necessary to have the work done either by contract or by employing a special labor crew, in order not to neglect routine maintenance functions. However, if any of the normal maintenance staff of the HA are detailed to an extraordinary maintenance job, the wages of such employees while so engaged shall be charged to this account.

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4610           Extraordinary Maintenance (continued)

This account shall also be charged with the gross salaries earned by architectural and engineering employees who are employed for the sole purpose of preparing plans and specifications for an extraordinary maintenance job, but shall not be charged with any part of the time of the regular technical and nontechnical administrative staff of the HA.

This account shall be subdivided or maintained in such a manner as to segregate costs for each extraordinary maintenance job.

This account shall not be charged with the replacement cost of nonexpendable equipment nor with the cost of property betterments and additions (see the descriptions of Accounts 7520 and 7540).

4620           Casualty Losses - Noncapitalized. This account shall be charged with all costs (labor, materials and supplies, expendable equipment, and contract work) of the restoration of property, such as costs of restoration of site improvements, structures, or equipment (but not replacement of nonexpendable equipment) damaged by fire, tornado, earthquake, hail-storm, or other casualty, in all cases where it is considered that the book value of the project has not been materially affected by such loss and subsequent restoration.

The cost of restoration of property occasioned by casualty losses, in cases where it is considered that the book value of the project has been materially affected by such loss and subsequent restoration, shall not be charged to this account but shall be charged to Account 7560, Casualty Losses - Capitalized.

This account shall be credited with the proceeds of claims against insurers or others, arising from damage to property, when such damage is considered not to have materially affected the book value

of the project.

In borderline cases, where there is a question whether the damage to and subsequent restoration of property results in a change in the book value of the project, preference shall be given to considering that no change has occurred and to recording the transaction in this account.

Rent for Leased Dwellings

4710 Rent to Owners of Leased Dwellings. This account shall be charged with the rent paid or accrued to the owners of dwelling units leased by the HA for low-income use in the Section 23 or Section 10 (c) programs.

4715 Housing Assistance Payments. This account shall be charged with housing assistance payments for the Section 8 program paid or accrued to the owners of dwelling units leased to eligible families and for housing assistance payments paid or accrued to the owners for vacancies during and after rent-up pursuant to a housing assistance payments contract. This account shall also be charged with housing assistance payments paid or accrued to owners for reimbursement pursuant to the provisions of the housing assistance payments contract of any unpaid rent or damages caused by the tenant.

This account shall be credited (and Account 2690 debited) with the portion of fraud recovery funds collected that are to be refunded to HUD through reduction of the housing assistance payments.

A separate account shall be maintained for each housing assistance payments project.

4715.P Section 8 Housing Assistance Payments - Portability. This account is debited by the amount of HAP payments issued by the HA on behalf of other HAs. The account is credited by the amount of NAP payments for Portability participants that are billed to other HAs. It is a subsidiary to Account 4000.P.

Other Accounts Not Affecting Residual Receipts

These accounts are provided for the purpose of recording items of income and expense which are neither operating receipts nor operating expenditures. These accounts are to be maintained for each annual contributions contract and the transactions recorded therein need not be segregated by project. These accounts are closed to Account 2810 (or Account 2700) at fiscal year-end.

5230 Interest on Debt Amortization Fund Investments. This account shall be credited with interest received on investment securities (including interest on time and savings accounts) purchased by the fiscal agent from funds on deposit in the Debt Service Fund and Advance Amortization Fund. This account shall also be credited with any gain and debited for any loss on the sale of securities. The gain or loss on sale of securities represents the difference between the total cost of securities sold, exclusive of accrued interest at date of purchase, and the net amount received from the sale, exclusive of accrued interest at date of sale.

For purposes of determining the gain or loss on the sale of securities, the cost of securities includes brokerage and other costs of acquisition, plus any premium paid or less any discount received.

5240 Interest on Payments for Off-Site Utilities. This account shall be credited (and Account 1145 debited) with the amount of interest earned on loans to local governing or taxing bodies for financing the construction of off-site facilities not included in the development cost of the project.

5610 Interest on Notes and Bonds Payable. This account shall be charged, after the latest date to which interest on borrowed monies is chargeable to development cost (DOFA), with interest accruing on outstanding Bonds, Permanent Notes, Project Loan Notes, and any other notes for monies borrowed for development purposes. Prior to such later date, the interest on notes and bonds shall not be charged to this account, but to Account 1420.1. This account shall also be charged with interest accruing on outstanding off-site facility notes payable to HUD.

This account shall not be charged with that portion of the interest on monies borrowed for development of the project which, with the approval of HUD, is to be paid from operating receipts (See Account 4580).

5640 Bond Redemption Premiums. This account shall be charged with all premiums on bonds purchased or redeemed by the HA in advance of maturity.

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#### Surplus Credits And Charges

6010 Prior Year Adjustments - Affecting Residual Receipts or Prior Year Adjustments - Affecting Deficit. 14/ This account shall be used to record adjustments affecting all income or expense accounts (accounts in the 3000 and 4000 groups) of a prior fiscal year which, in the judgment of the HA, distort current year operating statements or might result in an overrun in the current year budget if recorded in the current year expense accounts.

This account (in lieu of Account 3110) may be credited, when Accounts 1122 or 1124 are debited, with the portion of retroactive rent charges due to tenant fraud or misrepresentation which are applicable to prior years. Retroactive rent charges for Mutual Help projects are not credited to this account, but to Account 2171 (MEPA); retroactive rent charges for Section 8 tenants/owners are not credited to this account, but to Account 2690.

A separate Account 6010 shall be maintained for each project or group of projects for which a ate Statement of Operating Receipts and Expenditures is required.

6020 Prior Year Adjustments-Not Affecting Residual Receipts. Adjustments affecting any of the accounts in the 5000 group may be recorded in this account.

6110 Gain or Loss From Disposition of Real Property. This account shall be used to record the gain or loss arising from the disposition of land or other real property after the date of full availability (DOFA) or, in the case of projects conveyed for low-rent use, after



the date of conveyance. The amount to be recorded as a gain or loss will be the aggregate of the actual or allocated cost of the property disposed of and disposition expenses less the proceeds derived from disposition.

6120 Gain or Loss From Disposition of Nonexpendable Equipment. This account shall be used to record the gain or loss arising from the disposition of nonexpendable equipment after the date of full availability (DOFA) or, in the case of projects conveyed for low-rent use, alter the date of conveyance. 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.

14/ The title "Prior Year Adjustments - Affecting Residual Receipts" applies to locally owned federally aided projects, whereas the title "Prior Year Adjustments - Affecting Deficit" is applicable to leased projects.

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#### Provision For Reserves

The Provision for Reserve is the amount calculated at fiscal year end on the Statement of Operating Receipts and Expenditures (HUD 52599), or the Year-End Settlement Statement for Section 8 (HUD 52681), as the increase (or decrease) to the Operating/Program Reserve Accounts 2820-2827.

The following Provision for Reserve accounts (Accounts 7010-7027) are provided for program identification purposes. The calculated amount from the HUD 52599 or HUD 52681 is recorded in the applicable Operating/Program Reserve Account 2820-2827 (debit for decrease; credit for increase), and the offsetting entry may be made to the appropriate Provision for Reserve Account (which is then closed to Account 2810, Unreserved Surplus), or the offsetting entry may be made directly to Account 2810.

7010 Provision for Operating Reserve - Locally Owned Projects. This account shall be debited (and Account 2820 credited) with the amount of residual receipts of locally owned Federally aided low-income projects set aside as an operating reserve. This account shall be credited (and Account 2820 debited) with the amount of the operating reserve applied toward the elimination of a deficiency in residual receipts applicable to these projects or the amount by which the operating reserve is to be reduced. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus.

7011 Provision for Operating Reserve - Leased Projects. This account shall be debited (and Account 2821 credited) with the amount of residual receipts of leased low-income projects set aside as an operating reserve. This account shall be credited (and Account 2821 debited) with the amount of the operating reserve applied toward the elimination of a deficit applicable to these projects or the amount by which the operating reserve is to be reduced. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus.

7012 Provision for Operating Reserve - MH Projects. At the end of each fiscal year this account shall be debited (and Account 2822 credited) with the amount by which operating receipts exceed the operating expenses of the project. If the operating expenses exceed the operating receipts of the project at the end of a fiscal year then this account shall be credited (and Account 2822 debited) for the amount of such excess to the extent of the credit balance

in Account 2822. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus.

7013 Provision for Operating Reserve - Turnkey III - Homeownership. This account shall be debited (and Account 2823 credited) with the amount of residual receipts of a homeownership project (locally owned or leased) set aside as an operating reserve. This account shall be credited (and Account 2823 debited) with the amount of the operating reserve applied toward the elimination of a deficit applicable to such project or the amount by which the operating reserve is to be reduced. 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 Homeownership Project.

7014 Provision for Operating Reserve - Section 23 HAP Projects. This account shall be debited (and Account 2824 credited) with the net income from the operation of HAP projects, that is, the amount by which total operating receipts exceed total operating expenditures for the fiscal year. If, at the end of any fiscal year, there is an operating deficit (that is, the amount by which total operating expenditures exceed total operating receipts for the fiscal year), this account shall be credited (and Account 2824 debited) with the amount of such deficit to the extent of the credit balance in Account 2824. At the close of each fiscal year, the balance in this account shall be transferred to Account 2810, Unreserved Surplus.

A single account may be maintained for all Section 23 HAP projects.

7016 Provision for Operating Reserves - Section 8 HAP Projects. This account shall be debited (and Account 2826 credited) with the net income from the operation of Section 8 HAP projects, that is, the amount by which total operating receipts exceed total operating expenditures for the fiscal year. If, at the end of the fiscal year, there is an operating deficit (that is, the amount by which total operating expenditures exceed operating income for the fiscal year), 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 Section 8 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 project 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 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 contribution approved by HUD for the project account pursuant to Section 1.4 (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 1.4(a) of the annual contributions contract, the amount of such excess, to the extent approved by HUD, 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. A separate account shall be maintained for each project.

#### MEMORANDUM ACCOUNTS

##### Operating Receipts For Repayment Of Off-site Utilities

This memoranda account is provided to accumulate, throughout a fiscal year, the amount of cash received, payments remitted in lieu of taxes, and utility charges remitted and applied after DOFA as reimbursement of payments for off-site utilities or other facilities included in the development cost of the project. Such reimbursements after DOFA represent operating receipts or an offset to accrued operating expenditures for payments in lieu of taxes or utility charges. Reimbursements prior to DOFA are credited to Account 1400.2/1450. 15/

15/ This account shall not be used to record reimbursements received on loans to local governing bodies for construction of off-site utilities or other facilities not included in the development cost of the project.

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7110 Receipts from Off-Site Utilities. This account shall be credited (and Account 7190 debited) with the amount of cash received, remitted payments in lieu of taxes, and remitted utility charges, applied as reimbursement of payments for off-site utilities or other facilities included in the Development Cost of the project. This account balance is reported on the Form HUD 52599.

7190 Operating Receipts for Repayment of Off-Site Utilities - Contra. The debit balance in this account shall, at all times, be equal to the credit balance in Account 7110. After preparation of financial statements at the end of each fiscal year, the credit balance in Account 7110 shall be closed against the debit balance in this Account 7190.

##### Operating Expenditures For Property

These memorandum accounts are provided to accumulate, throughout a fiscal year, the operating receipts and expenditures arising from the disposition or acquisition of real property and nonexpendable equipment. These accounts are also used as a record of the proceeds from disposition of property which are being reserved for subsequent application as provided in the contract with HUD.

These account balances are reported on the forms HUD 52599 and HUD 52681.

Separate accounts shall be maintained for each project or group of

projects for which a separate Statement of Operating Receipts and Expenditures or Year-end Settlement Statement is required.

7520 Replacement of Nonexpendable Equipment. This account shall be debited with the acquisition cost of nonexpendable equipment purchased as a replacement of equipment 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 also the descriptions of Accounts 7530, 7540, and 7560).

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7530 Receipts From Nonexpendable Equipment Not Replaced. Except for nonexpendable equipment constituting part of a former federally owned project conveyed and operated for low-rent use under an administration contract, this account shall be credited with the proceeds from disposition of nonexpendable equipment which is not to be replaced.

The proceeds from disposition of nonexpendable equipment, which constitutes part of a former federally owned project conveyed and operated for low-rent use under an administration contract and which is not to be replaced shall be credited to Account 2118.

7540 Property Betterments and Additions. This account shall be debited with the acquisition cost of capitalized property classified as a betterment or addition. "Acquisition cost" means the cost of labor, materials and supplies, expendable and nonexpendable equipment, and contract costs incurred in connection with the betterment or addition.

This section 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.

Property betterments and additions are defined below:

- o Property betterments are capital expenditures for extraordinary replacements which result in a substantial betterment to structures, site, or non-expendable equipment. A betterment is distinguished from repairs and maintenance in that a betterment has the effect of extending the useful life of a fixed asset, whereas repairs and maintenance have the effect merely of keeping the asset in its customary state of operating efficiency. Property betterments include such items as replacement of manually fired heating boilers by mechanical boilers, replacement of a shingle roof with a tile roof or replacement of ice boxes with mechanical refrigerators. Minor betterments to structures or site involving a total expenditure of less than \$5000 need not be considered a property betterment. The replacement of structural elements due to normal wear and tear by items of substantially the same kind represents repairs and maintenance and not a property betterment. The replacement of nonexpendable equipment, due to normal wear and tear, by items of substantially the same type

represents replacement costs and not a property betterment.

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7540 Property Betterments and Additions (continued)

- o Property additions are capital expenditures for additional land, structures, and nonexpendable equipment, including extensions, expansions, and enlargements. Minor additions to real property, exclusive of land, involving a total expenditure of less than \$5000 need not be considered a property addition. Expenditures for expendable equipment, regardless of cost, shall not be considered a property addition except when items of expendable equipment are purchased for and used - in connection with a property addition.

7560 Casualty Losses - Capitalized. this account shall be debited with the cost of reconstruction, restoration, or replacement of property damaged or destroyed by fire, windstorm, tornado, accident, or other casualty when such loss and subsequent reconstruction, restoration, or replacement is considered to have materially affected the book value of the project, except that the replacement of nonexpendable equipment which has been damaged or destroyed shall always be considered to materially affect the book value of the project. "Cost" as used herein means the cost of labor, materials and supplies, expendable and nonexpendable equipment, and contract costs incurred in connection with the reconstruction, restoration, or replacement.

When it is determined that the damage to and subsequent reconstruction or restoration of property (other than nonexpendable equipment) will not materially affect the book value of the project, the cost of reconstruction or restoration and the proceeds from claims against insurers or others shall not be recorded in this account, but in Account 4620. In borderline cases, where there is a question whether the damage to and subsequent reconstruction or restoration or property results in a change in the book value of the project, preference shall be given to considering that no change has occurred and to record the transaction in Account 4620.

This account shall be credited with the proceeds of claims against the insurers or others in connection with damaged or destroyed property when the costs of reconstruction, restoration, or replacement are charged to this account. If all or any part of the damage to or destruction of a project is not reconstructed, restored, or replaced, the proceeds of any claim against insurers or others arising from such damage or reconstruction, to the extent not used for reconstruction, restoration, or replacement, shall not be credited to this account, but shall be applied in accordance with the contract with HUD.

7580 Proceeds From Disposition of Property - Reserved. The credit balance in this account represents the amount of cash in the General Fund available for the replacement of nonexpendable equipment, reserved for reconstruction or restoration of damaged property, or pending other disposition as provided in the contract with HUD.

This account shall be credited (and Account 7590 debited) with the

amount of proceeds from the disposition of property which is eventually to be applied as an operating receipt (see description of Account 7530); to be applied to the reduction of costs chargeable to Accounts 7520, 7540, or 7560; or to be deposited in the Advance Amortization Fund, paid to HUD, or such other disposition as provided in the contract with HUD.

This account shall be debited and:

- o account 7520 credited with the amount of proceeds from the disposition of nonexpendable equipment applied to the cost of a replacement at the time the replacement cost is recorded,
- o account 7530 credited with the amount of proceeds from disposition of nonexpendable equipment not replaced at the time the determination is made not to purchase a replacement,
- o account 7540 credited with the amount of proceeds from disposition of nonexpendable equipment or salvage applied to the cost of a property betterment at the time such cost is recorded,
- o account 7560 credited with the amount of proceeds from claims against insurers or others applied to the cost of reconstruction, restoration, or replacement of damaged property at the time such cost is recorded, and
- o account 7590 credited with the amount of proceeds from the disposition of property deposited in the Advance Amortization Fund, paid to HUD, or otherwise applied pursuant to the contract with HUD.

The credit balance in this account at the close of any period represents cash in the General Fund available for replacement of equipment, for reconstruction and restoration of damaged property, for deposit in the Advance Amortization Fund, or for such other purposes as provided in the contract with HUD. The credit balance in this account at the end of each fiscal year shall be reported as a footnote on the balance sheet submitted for such fiscal year.

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 account. 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 in this group. After preparation of all financial reports at the end of each fiscal year, the balances in Accounts 7520, 7530, 7540, and 7560 shall be closed out against this account. After recording these closing entries, the debit balance of this account, if any, shall be equal to the credit balance in Account 7580.

#### Homebuyer Monthly Payment-Turnkey III Homeownership Projects

These memorandum accounts are used to accumulate the aggregate amount of monthly payments charged to Turnkey III homebuyers and the allocation of such payments as provided in 24 CFR 904.108 and 24 CFR 950.513. The entries are made in addition to the entries to record monthly accounts receivable in Account 1124 and reflect the relationship of the required monthly payment to the budgeted break-even amount. At the close of the fiscal year, after preparing the financial statements, the balances in Accounts 7710-7716 are closed

against the debit balance of Account 7790.

Recording the monthly Homebuyers Accounts Receivable is done by:  
(a) crediting (or debiting for utility reimbursement) Account 1124 for the Homebuyers required monthly payment, (b) crediting Account 2161 (EHPA) for the budgeted EHPA amount, (c) crediting Account 2162 NRMR) for the budgeted NRMR amount, and (d) debiting or crediting Account 3110 (Operating Income) for the net amount of (a), (b), and (c).

The budgeted break-even amount is made up of (1) an amount for operating expense, (2) the EHPA credit, and (3) the NRMR credit. The monthly entry to record the memorandum accounts uses: (a) the applicable per unit budgeted amount to credit Accounts 7710, 7712, 7714, (b) the Homebuyers required monthly payment (Account 1124) to credit Account 7790, and (c) the difference between (a) and (b) to debit or credit Account 7716.

7710 Operating Expense. This account shall be credited (and Account 7790 debited) with that part of the monthly break-even amount designated on the operating budget for operating expense.

7712 Earned Home Payments. This account shall be credited (and account 7790 debited) with that part of the monthly break-even amount which is to be credited to the homebuyers earned home payments account.

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7714 Nonroutine Maintenance Reserve. This account shall be credited (and Account 7790 debited) with that part of the monthly break-even amount which is to be credited to the nonroutine maintenance reserve for the homebuyer's home.

7716 Excess (or Deficit) in Break-Even. This account shall be credited (and Account 7790 debited) with the amount by which the homebuyer's required monthly payment exceeds the monthly break-even amount. In the event the homebuyer's required monthly payment is less than the monthly break-even amount, this account shall be debited (and Account 7790 credited) with the amount of such deficiency.

7790 Contra. This is a contra account in which to record the offsetting debit or credit entries to Accounts 7710, 7712, 7714, and 7716. At the close of each fiscal year, the debit balance of this account will represent the aggregate amount of monthly payments charged to homebuyers during the fiscal year.

#### HUD Annual Contributions Earned

8010 Basic Annual Contribution Earned - Current Year-Leased Projects. 16/ This account shall be credited (and Account 2210 debited) with the amount of the basic annual contribution earned with respect to leased projects. At the close of each fiscal year, the credit balance in this account shall be transferred to Account 2840, Surplus - Cumulative HUD Annual Contributions.

8011 Basic Annual Contribution Earned - Prior Year Adjustments - Leased Projects. 16/ This account shall be used to record adjustments of the basic annual contribution earned (Account 8010) for a prior fiscal year. A debit balance in this account represents a reduction in the amount of contributions earned for a prior fiscal year; a credit balance represents an increase in the amount of contributions earned for a prior fiscal year. At the close of each fiscal year, the net debit or credit balance in this account shall

be transferred to Account 2840, Surplus - Cumulative HUD Annual Contributions.

- 16/ A separate account shall be maintained for each project or group of projects for which a separate Statement of Operating Receipts and Expenditures is required.

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8020 Contributions Earned - Operating Subsidy - Current Year. 16/ This account shall be credited with the amounts received during the fiscal year representing the annual contribution for operating subsidy approved in the operating budget for such fiscal year. The amount of approved operating subsidy received in the current fiscal year, including amounts for year-end adjustments or special subsidy distributions, must be reported on the Statement of Operating Receipts and Expenditures (HUD 52599) as a single line item amount. At the close of each fiscal year, the credit balance in this account shall be transferred to Account 2840, Surplus - Cumulative HUD Annual Contributions.

8025 Annual Contributions Earned - Section 23 HAP Projects. This account shall be credited (and Account 2210 debited) with the amount of annual contributions earned with respect to Section 23 HAP projects. Annual contributions earned represent the sum of the amounts payable for HAP, administrative fee, and for such other purposes as specifically approved by HUD, less the total of all other items of operating receipts, if any, such as interest on general fund investments, other income, and receipts from nonexpendable equipment not replaced. For purposes of this account, annual contributions earned do not include amounts provided for security and utility deposits (see description of Account 2168). 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.

8026 Annual Contributions Earned - Section 8 HAP Projects. This account shall be credited (and Account 2210 debited) with the amount of annual contributions earned with respect to Section 8 HAP projects. Annual contributions earned represent the sum of the amounts payable for housing assistance payments, administrative fee, and for such other purposes as specifically approved by HUD, less the total of all items of operating receipts, if any, such as interest on general fund investments, other income, and receipts from nonexpendable 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.

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#### Grant Funds Received

8029.1 Development Grant Funds Received During Current Year. This account shall be credited with the amount of HUD funds received in the current year for development of public and Indian housing projects covered under an ACC.

8029.2 Modernization Grant Funds Received During Current Year. This



account shall be credited with the amount of HUD funds received in the current year for modernization of projects as authorized in an amendment to the ACC.

At the close of each fiscal year, the credit balances in these 8029 accounts shall be transferred to Account 2845, Cumulative HUD Grants for Development/Modernization.

#### Homebuyers Payments - Property Acquisition

Under the terms of the homeownership agreements for the Turnkey III and Mutual Help programs, the homebuyer can acquire homeownership either by paying the balance due on the purchase price (calculated in accordance with the applicable regulations) or by financing the home through a mortgage held by the HA. The proceeds of sale are either remitted by the HA to HUD for reduction of the project debt, or retained by the HA for use as authorized by HUD. Since proceeds of sale can be derived from a variety of homeownership sources (i.e., various homeownership reserves, homeownership credits, and cash at settlement), the amounts are aggregated in the Accounts 8112-8116.2 (see below) prior to application by the HA.

Retention in Replacement Reserve. When the proceeds from the sale of dwellings are eligible for retention by the HA as a result of debt forgiveness, the credit balances in Accounts 8112-8116.1 are transferred to Account 2854, Replacement Reserve-Proceeds from Sale of Dwellings.

Reduction of notes. If the proceeds from sale of dwellings are not eligible for retention, the funds are remitted to HUD. After the close of the fiscal year, the HA shall pay to HUD the credit balance of Accounts 8112-8116.1. Pending application of these funds to the payment of the project debt, the remittance to HUD shall be recorded as a debit to Account 1177, Deposits with HUD (credit Account 1111.1, Cash - General Fund). Accounts 8112-8116.1 are closed as indicated below.

#### Homebuyers Payments - Property Acquisition (continued)

Sale of units under Section 5h. When the HA sells HA-owned rental units for the purposes of homeownership under the provisions of 24 CFR Part 906 or Part 950, Subpart P, proceeds of sale which are eligible for retention shall be initially credited to Account 2854 pending implementation of the HUD-approved plan for use of proceeds.

Property Ledger. The Land, Structures, and Equipment Account is adjusted for the cost of dwellings sold by a debit to Account 1400.4 and a credit to Account 2890. Entries to the Property Ledger are not required.

8112 Proceeds from Sale of Dwellings (TK III). This account shall be credited with payments received on account of the purchase price of dwellings acquired by homebuyers, including earned home payments and/or nonroutine maintenance reserve funds applied to the purchase price of the dwelling. A separate account shall be maintained for each homeownership project.

At the close of each fiscal year, the portion of this account balance which is to be remitted to HUD to be applied to the reduction of the HA debt with respect to the project shall be closed to Account 2855, Surplus-Cumulative Proceeds from Sale of

Dwellings. The credit balance of this account that represents funds eligible for retention by the HA as a result of loan forgiveness shall be transferred to Account 2854, Replacement Reserve-Proceeds from Sale of Dwellings.

- 8114 Homebuyers Payments on Resale of Dwellings (TK III). This account shall be credited (and Account 2164 debited) with those payments received from former homebuyers on account of the resale of their dwellings at a profit within 5 years of actual residence in their dwellings after becoming homeowners and for which such former homebuyers are not eligible for a refund. A separate account shall be maintained for each homeownership project.

At the close of each fiscal year, the credit balance of this account shall be transferred to Account 2855, Surplus - Cumulative Proceed from Sale of Dwellings.

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- 8116.1 Cash Applied to Purchase Price off Dwellings. This account shall be credited with the amounts received for application to the purchase price of dwellings acquired by MH homebuyers, including: (1) cash payments received from the homebuyer at time of settlement; (2) that portion of the homebuyer's monthly equity payment and voluntary equity payments to be applied to the purchase price; and (3) in the case of IHA Homeownership Financing, the mortgage payments received by the IHA. The credit balance of this account represents the proceeds from the sale of dwellings to be applied to the reduction of the IHA's debt with respect to the project. This account shall not be credited with the homebuyers unfunded reserves applied to the purchase price of the dwellings. Such unfunded reserves shall be credited to Account 8116.2.

At the close of each fiscal year, the portion of this account balance which is to be remitted to HUD to be applied to the reduction of the HA debt with respect to the project shall be closed to Account 2855, Surplus-Cumulative Proceeds from Sale of Dwellings. The credit balance of this account that represents funds eligible for retention by the HA as a result of loan forgiveness shall be transferred to Account 2854, Replacement Reserve-Proceeds from Sale of Dwellings.

A separate account shall be maintained for each MH project.

- 8116.2 MH Unfunded Reserves Applied to Purchase Price of Dwellings. This account shall be credited with the balances in the homebuyers (1) Refundable MH Reserve (Account 2912), and (2) Unrefundable MH Reserve (Account 2914) which are applied to the purchase price of the dwellings.

At the close of each fiscal year, the credit balance of this account shall be transferred to Account 2857.2, Surplus - Cumulative MH Unfunded Reserves Applied to Purchase Price of Dwellings. A separate account shall be maintained for each MH project.