

**Housing Authority of Washington County**  
**Income Statements Analysis**  
**July – June 2011**

**General Remarks:** Overall favorable cash flow occurred during FY 2011 at all of the communities while Section 8 and Central Office were essentially at break even. RTO homes were being leased up throughout the year.

Elderly & Family

Total income from these communities are exceeding expectations due to HUD funding increases during the year (Congress appropriated additional operating funds for CY 2010) tenant work order charges and lower maintenance time and expense incurred than budgeted.

Tenant work order revenue and maintenance costs at the Family sites were driven by move out repairs. A large portion of this revenue was reserved as bad debt under line 36, collection losses, but continued attempts will be made to collect.

Schoolhouse, Monterey and Springfield

These communities continued to exceed projections with full occupancy and lower maintenance expenditures than budgeted.

NCI (Neighborhood Conservation Initiative) and RTO (Rent To Own)

As mentioned above, the NCI homes are fully occupied and generated positive cash flow for the year.

In the RTO program, all 6 homes have been totally refurbished and 4 have been leased. As expected, the program would show a loss until full lease up. This is due to fixed costs such as Property Taxes, Insurance and Loan Interest.

Section 8

The program generated nearly \$21,914 in positive cash flow for the year. This was largely due to administrative funding adjustments from previous periods and fees from other agencies for portable tenants. Since Section 8 can not afford the full management fee charges allowed by HUD, surplus cash flow is transferred to Central Office through increased management fees (a transaction that HUD recommends). As a result, Section 8 shows zero dollar or break-even cash flow.

As has been the case the last few years, FSS Coordinator grant funding for calendar year to date was disbursed in June. This amount was \$7,800, but should have been twice as much. It is unclear at this point if full funding will be forthcoming as we seek further explanation from HUD.

### Central Office

*Revenue* - Increased management fees received from Section 8 (about \$21,914) boosted revenue for the year enabling the Central Office to nearly break even.

*Expense* - Marketing expense of \$4,291 was incurred mostly for Web Site enhancement. Interest expense on the Credit Line was \$8,100 YTD (highlighted).

The credit line has been significantly paid down during the quarter (from \$200,000 to \$50,000) due to the receipts of additional RTO loan amounts and MAHT grant funds (for BME Expansion). A \$44,000 reimbursement from the NCI grant was received just a week ago and we are anticipating another \$45,000 reimbursement soon. At that time, further payments of the credit line will be made.

Attached is an analysis of the Central Office Reserve. It shows that we owe \$57,320 to the Vehicle/Equip Reserve.

### Bad Debt Write-offs

Please note the Board Resolution to write-off noncollectable amounts owed by former tenants. These amounts are over a year old and were reserved last year.

### Explanation of Bad Debt write-off procedure

Accounting rules require that bad debts be held on the books (meaning reserved) at least a year before being written off. This allows for further collection time before an organization can clear the amounts totally off the books (balance sheet).

To further clarify, when a receivable is first deemed doubtful to collect, a reserve entry is made (this reflects an expense on income statement) and on the balance sheet. Then once the amount is deemed noncollectable, it is cleared off the balance sheet or “written off“ (does not affect the income statement).

I will be glad to answer further questions at the meeting