



MEMORANDUM NO. 10-10-03 MF-124

TO: SDHDA Management Agents and Owner

FROM: Vona Johnson, Director of Rental Housing Management *Vona*

SUBJECT: 2011 Operating Budgets
Insurance Forms
Audit Contract

DATE: October 15, 2010

Attached are the Permanent Insurance Specifications, Fidelity Bond Requirements, and the FY 2010 Audit Contract (Contract Between a Multifamily Development and Independent Public Accountant for Audit Services) for your SDHDA financed properties. We are asking that these documents as well as your 2011 Budget be returned by November 19, 2010, according to the following instructions.

Please complete the budget, with narrative justification, for each SDHDA financed development through the internet based Web Compliance Management System (WCMS). If you have not gained access to WCMS, or if you are having problems accessing it, contact Lisa Donner at (605) 773-3182 or lisa@sdhda.org. You may also refer to the HDS Web Compliance Management System User's Guide and the SDHDA Addendum to that Guide if you prefer.

Within each budget it is helpful if each line item is accompanied by narrative explaining how the amount was determined. This is especially important with the recent change to the HUD Chart of Accounts. A detailed narrative must accompany any line item that is a 5% or \$500 increase from last year and all miscellaneous accounts. Submissions without adequate narrative justification may be changed or denied at SDHDA's discretion. Complete submissions with detailed narratives will greatly improve our ability of meeting the goal of returning approved budgets to you by December 15, 2010. Generally, your explanation can be placed in the notes section of the form, however, if that section for a particular line item is not long enough for your explanation, please submit a separate email with the detail including the account number for each line described.

Please do not make any changes to the account names or numbers. If you are unsure as to where to account for an item, please first refer to the attached Account Notes. Feel free to contact your Housing Management Officer (Kevin Merrill at kevin@sdhda.org or Wayne Schaeffbauer at wayne@sdhda.org) if you continue to have questions. Also, please be reminded that if you are requesting a rent increase for a property that has a Utility Allowance, you will need to submit a Utility Analysis before the rent increase can be evaluated. Further, any capital improvements whether included in buildings, building



equipment, furnishing, or the repairs/maintenance expense accounts need to be described in detail in the narrative.

A fidelity bond naming both the Development and SDHDA as obligees and Fidelity Bond Certification is required to be in place and a copy of your original policy submitted to SDHDA. If the fidelity bond is to be renewed annually, a copy of the renewal notice and evidence the premium has been paid at the Management Agent's expense must be transmitted to SDHDA. If the fidelity bond is for continuous coverage, only evidence the premium has been paid at the Management Agent's expense must be transmitted to SDHDA.

A Permanent Insurance Proposal and Quote form and Permanent Insurance (Agent's) Certification form is enclosed to allow enough time for negotiating insurance quotes. Refer to the SDHDA Management Agent Handbook and to the Permanent Insurance Specifications Multifamily Units (Form AM 703) for complete requirements. Please have the insurance agent complete and submit the Permanent Insurance Proposal and Quote and Preliminary Insurance Certification form to SDHDA.

The Permanent Insurance Certification must be completed and submitted to SDHDA immediately upon issuance of either the policy or a binder for a new policy. You must seek bids from a minimum of three companies if the premium rate has increased by more than 10% or if your current insurance company no longer meets SDHDA's Insurance Requirements. In all cases your agent must complete and submit the Permanent Insurance Proposal and Quote and the Preliminary and Permanent Insurance Certification forms. As a reminder, all insurance claim checks received on behalf of the property must be submitted to SDHDA for deposit into the Reserve for Replacement Account where the funds will be held until the repairs are made. Insurance claim checks are not allowed to be deposited into the project's operating account

The 2010 Audit Contract for your SDHDA financed multifamily development must be completed by using the attached PDF form. Return a signed original along with the auditor's peer review and letter of comments to SDHDA by November 19, 2010. The SDHDA Audit Guide is being updated and will be mailed to you within the next few weeks.

Please email Lisa to let her know when your final budget has been entered and include any additional narrative description that does not fit in the note section of the budget form in that email. All other forms are to be signed and sent via mail or email in a PDF format to Lisa Donner at SDHDA, PO Box 1237, Pierre, SD 57501, or lisa@sdhda.org by November 19, 2010.

We appreciate your patience while we continue to update our systems to better allow for electronic submissions of your budget and cash flow information. We understand that some of you have had difficulties with the WCMS and strongly encourage you to work with Lisa Donner to determine what the problems are and how we can resolve them. Transition is always difficult, but we believe this will be a beneficial change for us all in the long run.

Please be sure to let one of us know if you have any questions.

Thank you!

Attachments: - Permanent Insurance Specifications (AM 703)
- Fidelity Bond Requirements (AM 704)
- Contract Between A Multifamily Development and Independent Public Accountant For Audit Services
- Account Notes

VJ

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THIS IS A MULTIFAMILY MEMORANDUM. PLEASE RETAIN IT IN THE MEMORANDUM SECTION OF YOUR SDHDA MANAGEMENT AGENT HANDBOOK UNTIL AND UNLESS SUPERSEDED BY AN UPDATED MEMORANDUM.