



MEMORANDUM NO. 09-10-02 MF-121

TO: SDHDA Management Agents and Owner

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

SUBJECT: 2010 Operating Budgets
Insurance Forms
Audit Contract

DATE: October 21, 2009

Enclosed is a copy of the FY 2010 Operating Budget form, insurance specifications and the FY 2010 Audit Contract for your SDHDA financed properties. We are asking that all documents be returned by November 23, 2009 in the methods described below.

Please note that we have made changes to the budget account names and numbers to coincide with HUD's Chart of Accounts. The reference for the account descriptions are in the appendixes of the Industry User Guide For The Financial Assessment Subsystem–Multifamily Housing (FASSUB) Release 7.0.0.0. This guide can be located at http://www.hud.gov/offices/reac/products/fass/fassmf_guide.cfm. Please do not make any changes to the account names or numbers. If you are not sure as to where to account for an item, please first refer to the guide. If it isn't clear, then contact your Housing Management Officer (Kevin Merrill kevin@sdhda.org or Wayne Schaeffbauer wayne@sdhda.org).

Please complete the budget, with narrative justification, for each development. The detailed narrative must explain reasons for 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, denied, or returned as incomplete 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, 2009.

A fidelity bond naming the Development and SDHDA as obliges 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'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'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 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. If you wish to continue with your current insurance, you do not need to seek bids if the premium rate has not increased by more than 10% and the insurance company continues to meet SDHDA requirements. In all cases, however, your agent must complete and submit the Quote and the Certification forms.

The 2009 audit contract for your SDHDA financed multifamily development must be completed by using the attached PDF form. Mail a signed original along with the auditor's peer review and letter of comments to SDHDA by November 23, 2009.

Please complete and submit the remaining required forms mentioned in this memo via email to Lisa Donner, Housing Research and Management Officer, at lisa@sdhda.org by November 23, 2009. SDHDA requests the budget form to be submitted in excel format and the other forms can be signed and sent via email as a PDF form. Please send the signed budget in PDF form in addition to the excel format.

We are looking forward to updating our systems to better allow for electronic submissions on budget, cash flow and audit information in 2010 and will have details to you after the first of the year. In the mean time be sure to let one of us know if you have any questions. Thank you and have a great fall!

Attachments: - Operating Budget Form (AM 702)
- Permanent Insurance Specifications (AM 703)
- Fidelity Bond Requirements (AM 704)
- Contract Between A Multifamily Development and Independent Public Accountant For Audit Services

VJ:LD

Enclosures

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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.