

## **INSTRUCTIONS for Preparation of Minnesota Housing's Computation of Surplus Cash, Distribution & Residual Receipts**

Starting with calendar year-end 2013, the Computation of Surplus Cash, Distribution & Residual Receipts form is required to be part of the audited supplemental schedules for all developments the Minnesota Housing (the Agency) holds a first lien position. (For developments on Redefined Equity Program, the Agency will recalculate the distribution if the development qualifies.)

### **Part A. ALLOWABLE DISTRIBUTION**

**Line 1.** This amount is specified on MHFA *Application Form RFP/HTC1* (currently called 402 or *Form 202 – Financial Analysis* for older projects). The correct document to be used is usually attached to the back of the recorded Regulatory Agreement.

**Line 2.** The rate of return on equity, which is defined by *Minnesota Statutes section 462.A.03, subdivision 13*, has been increased to 15% of the capital contribution of the investors or such lesser percentage as the Agency shall establish in its rules (refer to Exhibit B of the Regulatory Agreement). For older developments, refer to *Schedule B* attached to the Regulatory Agreement (or letter sent in early 2006 to owners to increase the return on equity).

**Line 3.** This amount is the maximum allowable distribution for the fiscal year based on the Regulatory Agreement with the Agency. For newer developments (for which the 15% limitation does not apply to), enter in "Manual Override" the amount specified on Form 402, Section VII. C. Maximum Allowable Return on Equity. Be advised that for a number of LMIR developments this amount was revised on a letter sent to owners during year 2011. If unable to determine the maximum distribution, contact the owner to obtain the most recent surplus cash calculation worksheet prepared by the Agency.

**Line 6.** This is the maximum distribution available to owners for the fiscal year (lines 4 plus 5) reflecting the amount coming from the operating account and the Development Cost Escrow.

### **Part B. COMPUTATION OF SURPLUS CASH**

**Line 7.** This includes only cash collected from the operations of the development. Do not include Partnership cash or reserves. **Do not include the tenant security deposit account balance** as it is the management agent's responsibility to transfer excess funds to the operating account before year-end. Refer to the definition of "Operating Receipts and Expense Account" in the Regulatory Agreement.

**Line 8.** Include amount receivable/payable on tenants' subsidy vouchers only if the amount was earned during the period covered by the financial statements. Refer to form HUD-52670, *Part III*, and lines b through d as of the first day of the following fiscal year.

**Line 9.** This is the accrued interest earned during the development's fiscal year as reflected on the MHFA *Development Analysis Report (DAR)* (Taxable Interest column, Development Cost line). At the end of the development's fiscal year, this amount will be transferred to the Residual Receipts account.

**Line 10.** For projects that opted to deposit their excess income or excess subsidy payments with the Agency, this amount can be obtained from the fiscal year-end *Development Analysis Report*, Escrow Payment column, Residual Receipts line. This amount will be part of the allowable distribution. (Exceptions are New Regulation Project Based Section 8 HAP Contracts). Interest earned on residual receipts cannot be included.

**Line 11.** For participating FAF (Financing Adjustment Factor) projects, these are the funds deposited during the fiscal year to the *Faf/Interest Reduction Savings, Miscellaneous* column of the DAR. They are the Agency's 50% share of the 1991 FAF savings and the savings from the 2002 bond refinancing.

**Line 12.** Include/describe funds the project expects to receive within 60 days of fiscal year-end as an addition to cash. Examples are: TIF (Tax Increment Financing) income; replacement reserve and residual receipts draws for items that have been paid from the development's funds, and **approved by the Agency prior to the end of the fiscal year** but not yet reimbursed from reserves; IRP (Interest Reduction Payment) credit per the year-end invoice; due from general partners or other projects, etc.

**Line 13.** Include **aged** trade accounts payable balance due to suppliers of goods and services.

**Lines 14 through 16.** For projects that are current on their mortgage, these are the interest (on amortizing mortgages), MHFA Annual Fee, and FAF expense due the first of the month following the fiscal year-end. For projects in default on their mortgage, include the delinquent payments of these items as of the month following the fiscal year-end covered by the financial statements.

**Line 17.** Unearned/advance rental payments received from tenants.

**Line 18.** Include/describe any other accrued expenses (not escrowed) payable from operations such as payroll taxes/ benefits, advances due to general partners/management companies for rental operations, and advances due to other developments etc. Do not include asset management fees or other partnership expenses. Prior years' authorized and unpaid partnership distributions are non-cumulative and should not be included in this line.

### **PART C. COMPUTATION OF RESIDUAL RECEIPTS TRANSFER**

**Line 25.** This amount is required to be deposited with the Agency within 90 days after fiscal year-end unless otherwise indicated in writing by the Agency. "Per audit review for FYE xyz" should be mentioned on the check.

**Line 26.** Upon receipt of the audit by the Agency, this amount will be sent from the residual receipts reserve or the FAF/DS escrow to the operating account to be part of the authorized distribution. Please note that the Agency will not transfer any funds for projects with New Regulation Project Based Section 8 HAP Contracts (refer to *HUD Notice H 2012-14*).