



**HOUSING  
OPPORTUNITIES  
COMMISSION**  
OF MONTGOMERY COUNTY

Housing Opportunities Commission  
of Montgomery County

A Component Unit of Montgomery County, Maryland

866 ▶ 902 ▶ 6551  
LUXURY APARTMENT  
HOMES

# Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2012

**HOUSING OPPORTUNITIES COMMISSION OF  
MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)  
Comprehensive Annual Financial Report

For the Year Fiscal Ended June 30, 2012

Issued by  
Finance Department  
Gail Willison Chief Financial Officer  
Belle Seyoum, Controller

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

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# I. INTRODUCTORY SECTION



The Government Finance Officers Association  
of the United States and Canada

presents this

## AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

### Finance Department

Housing Opportunities Commission of Montgomery County, Maryland



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date June 27, 2012



10400 Detrick Avenue  
Kensington, Maryland 20895-2484  
(240) 773-9000

December 20, 2012

Members of the Commission  
Housing Opportunities Commission of Montgomery County

We are pleased to present the Housing Opportunities Commission of Montgomery County (HOC or Commission) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. The report was prepared by the Commission's Finance staff and audited by the independent public accounting firm of CliftonLarsonAllen, LLP.

The data presented in this report are the responsibility of the management of the Commission. To the best of our knowledge and belief, the data presented are accurate in all material respects; presented in a manner designed to fairly state the financial position and results of operations of the Commission; and all necessary disclosures have been included to enable the reader to gain a complete understanding of the Commission's financial affairs.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the organizational chart of the Commission and a list of principal officers. The financial section includes the independent auditor's report on the basic financial statements, management's discussion and analysis, the basic financial statements, supplementary information and the component units' financial statements. The statistical section presents, on a multi-year basis, selected financial and demographic information for the Commission and Montgomery County.

This report includes all funds and component units of the Commission. The Commission's Financial Statements include five enterprise funds: General Fund, Opportunity Housing Fund, Public Fund, Single Family Fund, and the Multifamily Fund. In addition, 16 Low Income Housing Tax Credit partnerships (LIHTC) are consolidated and presented as a discretely presented component units in the Financial Statements.

In 1966, the Montgomery County Council activated the Housing Authority of Montgomery County (HAMC). In 1974, parallel State and County legislation was enacted that established a broader housing

mission for the County and restructured HAMC into the Housing Opportunities Commission of Montgomery County, Maryland (HOC). HOC is an independent Agency and component unit of Montgomery County.

The governing body of HOC is the Board of Commissioners and is comprised of seven members, who are appointed by the County Executive and approved by the County Council. The Commission appoints an Executive Director to administer the affairs of the Commission. The primary sources of funding for the Commission are dwelling rental income earned by Commission owned properties and interest on mortgage and construction loans earned by the Single Family and Multifamily mortgage loan portfolios as well as Housing Assistance Payments and Public Housing operating subsidy funded by the U.S. Department of Housing and Urban Development.

The mission of the Commission is to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland. To accomplish these objectives, the Commission participates in a number of programs which are discussed in the Management's Discussion and Analysis (MD&A) and in the notes to financial statements sections of this report.

### **Economic Condition and Outlook**

After experiencing a slowdown in economic conditions during the second quarter, the national economy experienced stronger than forecasted economic growth during the third quarter of 2012 propelled by consumer spending, defense outlays and homebuilding. There are several indicators pointing to improvement in the economic recovery including:

- Higher than expected GDP growth (2% compared to 1.3% in the second quarter);
- Improvement in unemployment, dropping to a three-year low (7.8% in September compared to 8.2% in June); and
- Higher job growth (an average of 127,000 jobs per month were added to the economy in the third quarter of 2012 compared to 73,000 in the second quarter).

Foreclosure activity is on the decline, a sign that the housing market is improving. Residential construction (homebuilding) increased 14.4% in the quarter, up from 8.5% in the prior quarter. With consumers feeling more confident due to lower unemployment, low prices and improvement in the housing market, consumer spending has led economic growth in the third quarter. However, business activity is expected to remain low due to slower demand in Europe and Asia, the ongoing Euro zone debt crisis, the impending sequestration in January 2013, and the February expiration of the federal debt ceiling.

**Rental & Homeownership Market:** At the regional level, the Washington Metropolitan area economy has weathered the latest economic downturn better than most other metro areas and has remained one of the top economic centers in the nation due to:



- Continued low unemployment (5.3% compared to the national average of 7.8%);
- Continued employment growth (24,300 jobs added over the last 12 months; yet growth is significantly lower than the 39,800 long-term annual average and 60,000-80,000 growth during expansionary cycles); and
- A healthier housing market (home prices increased 3.8% during the 12 months ending June 2012. This compares to a rise of 0.5% in the 20 MSA Composite Index).

The outlook for the Washington Metro area projects continued growth in 2012 albeit at a slower pace than prior expansion periods. It is important to note that the area could be significantly impacted if automatic spending cuts to the federal budget are fully implemented in 2013.

The Montgomery County economic performance improved in FY 2012 compared to FY 2011. Unemployment remains lower (5.1%) while employment and home prices continue to increase. Residential construction also picked up in FY 2012.

**Housing Bond Market:** During fiscal year 2012, the Commission remarketed approximately \$30 million of 2004 Series C and D Multifamily Housing Development Bonds. This remarketing replaced the liquidity facility provided by the U.S. Treasury pursuant to its Temporary Credit and Liquidity Program with a Direct Pay Letter of Credit from TD Bank, N.A. The Commission issued two series of Variable Rate Demand Obligation (VRDO) bonds, one taxable and one tax-exempt in support of the MetroPointe Apartments transaction. The proceeds of the issuances were used to redeem the County General Obligation backed notes and to pay down a previous draw on the PNC Bank line of credit. The floating rate bonds are also supported by a Direct Pay Letter of Credit from TD Bank.

The Commission completed two fixed-rate bond issuances for the construction and permanent financing for two developments. The first was the issuance of 501(c)(3) tax-exempt bonds to finance the construction of Victory Court Apartments, an 86-unit senior housing facility for independent elderly residents in Rockville Heights, owned by Victory Housing, Inc. The bonds were privately placed with Capital One Bank N.A. The second was the issuance of bonds for the renovation of several scattered site developments that were consolidated into one owner.

The Commission also issued refunding 501(c)(3) bonds to lower the borrowing cost for Ring House, a 248-unit independent living facility for seniors located in Rockville.

**LIHTC Market:** The LIHTC market continues to recover from market weaknesses experienced during the recession, both nationally and especially in attractive markets such as Montgomery County. The market for 4% and 9% LIHTC transactions have returned to the Washington Metropolitan area. Pricing has increased dramatically approaching pre-recession pay-in rates. In FY12, the Commission received a \$1.29 million annual allocation of 9% credits for the substantial renovation of Tanglewood-Sligo, the consolidation of two HOC owned developments forming a 132-unit development in Silver Spring. With improved LIHTC market conditions, the Commission raised \$14.2 million of equity to support the substantial renovation of the project.

***Housing Choice Voucher and Public Housing Operating Subsidy:*** On September 28, 2012, President Obama signed a Continuing Resolution that funds housing programs through March 27, 2013. Senate and House conferees on November 14, 2011 released a compromise FY 2012 minibuss appropriations measure that includes funding of the HUD programs. The funding level for the Public Housing operating subsidy for the first six months of the fiscal year 2013 is anticipated to be 75 percent of formula eligibility prior to the calculation and imposition of individual agency offsets. Funding for the Housing Choice Voucher Housing Assistance Payments for calendar year 2013 is expected to be commensurate at a level with calendar year 2012. However, funding for administrative fees to operate the program are expected to be funded at a pro-ration of 80 percent lower than fees for 2012. The Commission continues to maximize the number of vouchers utilized based on funding available.

During fiscal year 2012, the Commission received funding of \$897,212 to support 68 vouchers from HUD to serve residents affected by an Opt-Out election of the owner at Cinnamon Run Apartments, funding of \$211,344 for 16 vouchers to assist residents at Friendly Gardens Apartments affected by an Opt-Out, and \$169,502 to support 15 new VASH (Veterans Affairs Supportive Housing) vouchers. Additionally, HOC received an increment of 50 new vouchers and funding of \$660,450 to support the HUD approved disposition action.

In September 2010, staff introduced the Commission to a potential initiative that would permit HOC to alter the status of its 669 Scattered Site Public Housing units while maintaining the same affordability. In June 2011, an application was submitted to HUD requesting the disposition of these units and on March 8, 2012, HUD approved the Agency's application for the disposition of 669 Public Housing units.

In the application, it was stated that no Public Housing unit would be disposed of without receipt of a replacement voucher. In April 2012, the Agency submitted two Conversion Voucher Funding applications. The first application requested that the Agency receive funding for 200 vouchers for the remaining calendar year 2012. The second application requested the Agency receive funding for 469 vouchers for the calendar year 2013. In May 2012 and October 2012, respectively, HOC received funding for the first 50 vouchers and funding for the next 150 vouchers.

***Real Estate Acquisition and Rehabilitation:*** The Commission believes that its acquisition and rehabilitation efforts create strong communities and contribute to the overall economic well being of Montgomery County.

During fiscal year 2012, construction and renovation continued on several of the Commissions' multifamily and scattered site projects:

- **Ambassador** - In 2011, staff drafted a Preliminary Development Plan to renovate and refinance the Ambassador Apartments, which consists of 162 residential apartments, located in Wheaton, Maryland. In November 2011, the Commission requested that staff consider a larger redevelopment opportunity for the site. In April 2012, HOC issued a Request for Qualifications/Request for Proposals (RFP) for a developer. Qualification statements from developers were submitted on June 11, 2012. During Fiscal Year 2013, staff will complete the RFP process and select a developer for The Ambassador.

- **Brookside Glen** - Brookside Glen is a 90 unit townhouse/apartment community located in Silver Spring, Maryland. FY 2012 is the third year of a five-year renovation plan with the completion of a total of 54 units.
- **Greenhills** - In March 2012, the Commission approved a Preliminary Development Plan for Greenhills, a 78-unit townhome/apartment community located in Damascus, Maryland, to refinance and renovate its major components to increase energy efficiency and extend the property's useful life. A RFP for a General Contractor (GC) was published and staff's goal is to select a GC and a Final Development Plan during the spring of FY 2013.
- **Jubilee Housing** - Renovation of a single family home, in partnership with Jubilee Housing, located at 2715 Woodedge, Silver Spring, MD has been completed as of May 2012. Three developmentally disabled individuals live in the home with a full time resident manager. A second home, in partnership with Jubilee Housing, located at 2408 Falling Creek, Silver Spring, MD began renovation in mid September 2012. The home will provide housing for three developmentally challenged adults with a full time resident manager. It is anticipated the home will be ready for occupancy in December 2012.
- **Lasko Manor** - Construction at the Lasko Manor Apartment community, located at 4913 Hampden Lane, Bethesda, MD, was completed in October 2011. The property is at 100% occupancy and houses 12 formerly homeless individuals through project based vouchers. The property provides extensive resident supportive services.
- **Magruder's Discovery** - A substantial renovation at Magruder's Discovery, located at 10508 Westlake Drive, Bethesda, MD, was completed at the end of 2011. The property consists of 134 garden style apartments and was originally constructed in 1979. The property is 100% Section 8 based funding. A new community space is slated for construction prior to the end of 2012.
- **Metropolitan Apartments** - Renovation of the 216 market rate units was completed in June of 2011. Renovation of the 92 Low Income Housing Tax Credit (LIHTC) units will commence in 2013.
- **Paddington Square** - Paddington Square is a 165 unit garden style mixed income multifamily apartment community located in Silver Spring, Maryland that serves market and low-to-moderate income residents. A comprehensive renovation was completed in December 2011.
- **Southbridge** - A substantial renovation at the Southbridge Apartment Community, located at 7423, 7425, 7427, 7419 & 7411 Aspen Court, Takoma Park, MD is currently underway. The project is scheduled to be completed by year end. The property consists of three separate buildings, with five addresses, and is a total of 39 apartment units.

- **Tanglewood and Sligo Hills** - The nearly gut renovation of a 132 unit garden project located at 8902 Manchester Ave, Silver Spring is expected to commence in December 2012 and be completed in December 2013.

The Commission will also continue to access the bond market and look for opportunities to issue Housing Revenue Bonds in an effort to continue adding affordable housing units as well as maintaining existing units through renovation and capital improvements.

### **Financial Information**

The Commission's management is responsible for establishing and maintaining a proper internal control structure to safeguard its assets and ensure accounting data is accurately stated and presented in the financial statements in conformity with generally accepted accounting principles. To ensure the cost of internal controls does not outweigh the benefit, the internal control structure provides reasonable assurance rather than absolute assurance that these objectives are met. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Commission is a recipient of federal and Montgomery County grants and must ensure the proper internal control structure for compliance with applicable laws and regulations related to these programs. The Federal programs are subject to periodic review by an internal Federal Programs Division as well as an internal auditor.

**Single Audit:** In compliance with the A-133, the Commission is subject to an annual audit of all federal expenditures in excess of \$500,000 to be performed by an independent public accounting firm. The Single Audit was performed by CliftonLarsonAllen LLP for the year ended June 30, 2012 with no material weaknesses or significant deficiencies noted in the internal control over financial reporting. The Commission did have significant deficiencies noted in internal controls over major programs. The Commission's Single Audit is available under separate cover.

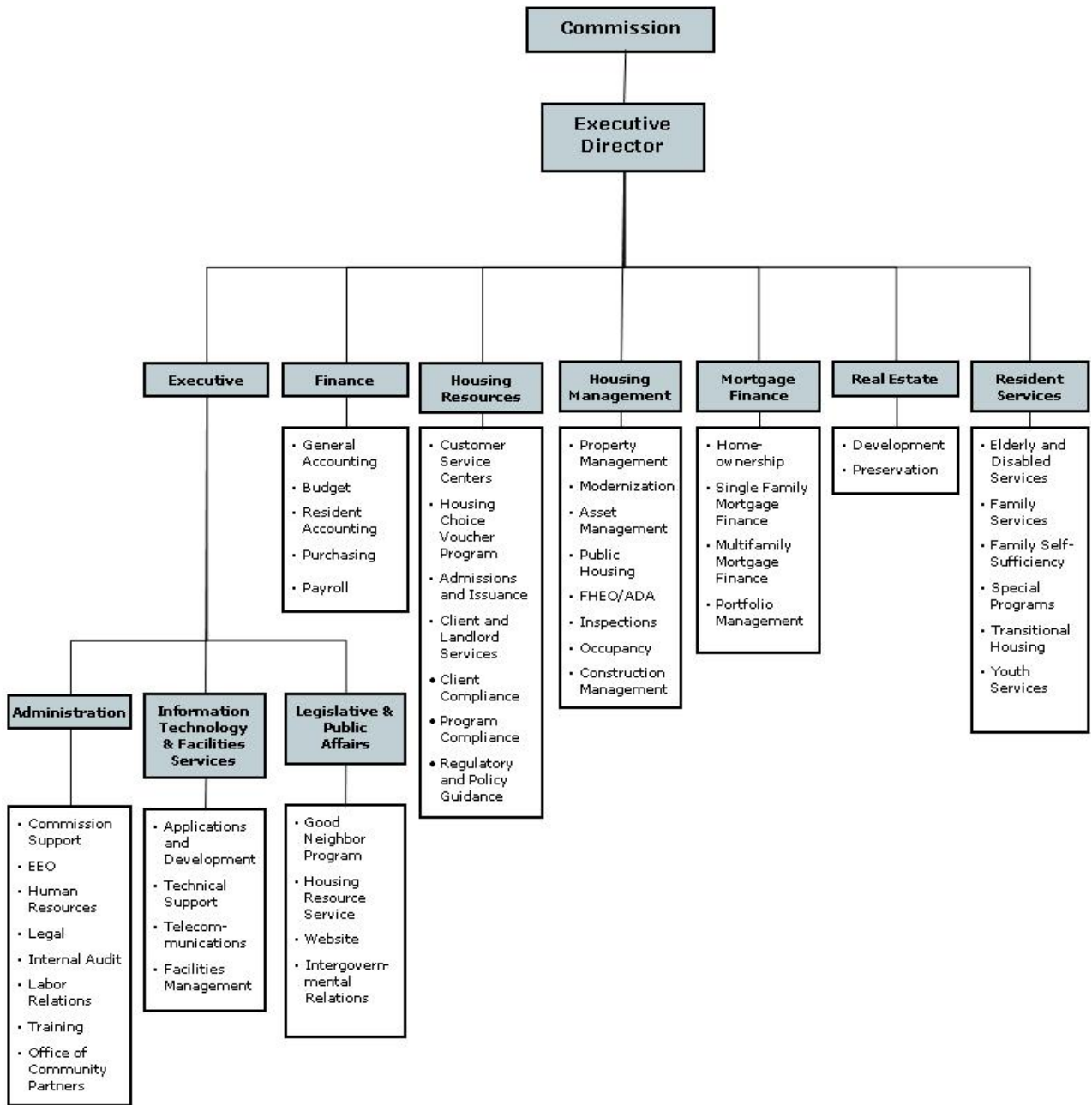
**Budgeting Process:** The Commission, on an annual basis in conjunction with division heads and Executive Staff, prepares an annual Agency-wide budget by department and program. The annual budget is submitted to the Executive Director for approval and then presented to the Budget, Finance and Audit Committee (BF&A, a subset of the full Commission) and subsequently to the full Commission. Both groups must approve the annual budget. The Commission is no longer required to submit an annual budget to HUD for the Housing Choice Voucher Program but is required to submit a budget for the Public Housing Operating Subsidy. During the year, budget amendments are presented to the BF&A Committee and the Commission for approval. Each Division Director or program head is responsible for monitoring budget to actual performance. On a quarterly basis, budget to actual reports are prepared and presented to both the BF&A Committee and the Commission.

**Component Units:** The authority has 16 discretely presented component units which consist of LIHTC limited partnerships. Each LIHTC limited partnership is made up of a property or series of properties which provide rental housing to qualified tenants. As the 15-year cycle for maintaining the LIHTC partnerships expire, units are donated to the Commission by the limited partners. These units are typically absorbed into the Commission's Opportunity Housing Fund and continue to provide rental housing for the Commission target population.

**Acknowledgements:** The preparation of this report has been accomplished by the efforts of the Finance Department in conjunction with the support of various division heads and staff throughout the Commission. We would also like to thank the Commission for their continued support and guidance throughout the year.

Respectfully submitted,

Gail Willison  
Chief Financial Officer



**HOUSING OPPORTUNITIES COMMISSION**  
**OF**  
**MONTGOMERY COUNTY, MARYLAND**

**List of Principal Officials**

<b>Name, Title</b>	<b>Expiration of Term</b>
<hr/>	
<b>BOARD OF COMMISSIONERS</b>	
Roberto Piñero, Chair	August, 2013
Sally Roman, Vice Chair	August, 2016
Michael Kator, Chair Pro Team	August, 2013
Jean Banks, Commissioner	August, 2017
Rick Edson, Commissioner	August, 2014
Pamela T. Lindstrom, Commissioner	August, 2014
Michael Wiencek, Commissioner	August, 2015

**SENIOR MANAGEMENT**

Stacy Spann, Executive Director  
Ken Tecler, General Counsel

**EXECUTIVE STAFF**

Tedi Osias, Public Affairs  
Joy Flood, Housing Resources & Federal  
Jim Miller, Acting Director of Asset Management, Modernization & Construction  
Andrew Oxendine, Acting Director of Property Management & Operations  
Les Kaplan, Resident Services  
Gail Willison, Chief Financial Officer  
Vacant, Director Community Partnerships  
Scott Edwart, Information Technology  
Maryann Dillon, Real Estate  
Kayrine Brown, Mortgage Finance

## **II. FINANCIAL SECTION**





## Independent Auditor's Report

Board of Commissioners  
Housing Opportunities Commission of  
Montgomery County, Maryland:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, Maryland, as of and for the year ended June 30, 2012, which along with the aggregate discretely presented component units of the Commission collectively comprise the Commission's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. The prior year partial comparative fund information has been derived from the Commission's 2011 financial statements, and in our report dated October 28, 2011, we expressed an unqualified opinion on the respective fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, and the aggregate discretely presented component units of the Commission as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2011, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Commission's basic financial statements. The statement of certification of actual modernization costs listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statement and certification of actual modernization costs is the responsibility of management and is derived from and relates directly to the underlying accounting and our records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section, statistical section, and real estate limited partnerships component unit financial statements included in the supplementary information has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*CliftonLarsonAllen LLP*

Baltimore, Maryland  
November 2, 2012

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis  
For the year ended June 30, 2012

As management of the Housing Opportunities Commission of Montgomery County, Maryland (the Commission), a component unit of Montgomery County, Maryland, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information furnished in the audited basic financial statements and related notes. This discussion and analysis is focused on the activities of the Commission as a primary governmental entity.

**Financial Highlights**

- The Commission's net assets increased by \$6.6 million (or 3.5%) from \$189.8 million at June 30, 2011 to \$196.4 million at June 30, 2012.
- The Commission's current ratio (ratio of current assets to current liabilities) increased from 1.86 at June 30, 2011 to 2.87 at June 30, 2012, due to an increase in short-term investments in the Single Family and Multifamily Bond Funds.
- The Commission issued \$32.78 million of new bonds for the Single Family Fund. Approximately \$31.04 million (94.6% of the total) was used to finance new mortgages, closing cost assistance and fund reserves under the New Issue Bond Program (NIBP), pursuant to a resolution of the Commission providing for the issuance of Single Family Housing Revenue Bonds. The Commission plans to convert the remaining \$12.38 million of NIBP bonds and to issue approximately \$12 million of market bonds in October 2012 to complete a \$25 million bond issue. All NIBP bonds must be converted or redeemed by December 25, 2012. The remaining \$1.75 million is capital accretion bonds.
- The Commission issued \$61.56 million of new bonds for the Multifamily Fund in fiscal year 2012. This included \$33.59 million of 2011 Series A tax-exempt bonds for MetroPointe Development Corporation and \$3.02 million of taxable bonds as 2011 Series B for MetroPointe Limited Partnership. These amounts refunded and redeemed \$32.29 million of 2009 Issue A bonds for MetroPointe Development Corporation and refunded \$2.92 million of taxable financing on the Line Of Credit with PNC Bank, N.A for MetroPointe for MetroPointe Limited Partnership. This bond issuance enabled the termination of the Montgomery County General Obligation support for the MetroPointe transaction and replaced it with Mortgage insurance provided by FHA pursuant to its Risk Sharing Agreement with the Commission. The total Multifamily issuance also included \$24.95 million of tax-exempt bonds, issued as 2012 Series A which refunded prior bonds for Ring House Corporation and funded a new mortgage for Scattered Site One Development Corporation. The Commission also refunded \$15.7 million of 2000 Series A bonds, redeemed \$3.77 million of 2000 Series B bonds and \$7.54 million 2011 Series A bonds.
- The Commission retired and refunded bonds in the amount of \$32 million from the Single Family Fund. The funds used to retire the bonds came from borrowers' mortgage loan payments and prepayments and a draw on the Commission's Line of Credit facility with PNC Bank, N.A., which will be paid off with proceeds from the closing of the 2009 Series C-4, Series C-5, and the 2012 Series A bond issue in October 2012.
- The Commission retired and refunded \$67.1 million of bonds from the Multifamily Bond Fund using mortgage payments and remarketing proceeds.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis  
For the year ended June 30, 2012

- Outstanding mortgage and construction loans receivable decreased slightly from \$375.5 million at June 30, 2011 to approximately \$375.1 million at June 30, 2012.
- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission decreased by 1.2% from \$79 million in fiscal year 2011 to \$78 million in fiscal year 2012.
- Unrealized gains on investments totaled \$9.2 million in fiscal year 2012 compared to a \$2.2 million unrealized loss in fiscal year 2011 due to the interest rate environment.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The annual financial report is comprised of three components: management's discussion and analysis, the financial statements, and notes to the financial statements.

The financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business. These statements are prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the statements of revenues, expenses, and changes in net assets.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of revenues, expenses, and changes in net assets presents information on how the Commission's net assets changed during the fiscal year.

The statement of cash flows explains the sources and uses of cash during the fiscal year.

### Fund Structure

The Commission maintains only proprietary funds. Such funds are accounted for in a manner similar to that of businesses operating in the private-sector. Proprietary funds provide both long and short-term financial information. The following is a brief description of the activity accounted for in each of the major funds.

### Major Funds

**General Fund** – the Commission's primary operating fund. The entire administration and overhead of the Commission is maintained within this fund.

**Opportunity Housing Fund** – accounts for properties that provide affordable housing to low and moderate-income residents. Properties owned by the Commission make up the primary assets in this fund.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis  
For the year ended June 30, 2012

**Public Fund** – accounts for grants from federal, state, and county government. These grants are used to provide Housing Assistance Payments and supportive services for residents. Activities related to Public Housing and the Housing Choice Voucher Programs are maintained in this fund.

**Single Family Fund** – accounts for taxable and non-taxable bonds. These bonds are used to finance mortgage loans for qualifying first-time homebuyers. The primary assets are mortgage loans receivable and restricted cash and investments.

**Multifamily Fund** – accounts for taxable and non-taxable bonds. These bonds are used to finance the acquisition, rehabilitation, and/or construction of affordable multifamily housing. The primary assets are mortgage loans receivable and restricted cash and investments.

**Component Units**

Real Estate Limited Partnerships – The Commission is the managing general partner in 16 real estate limited partnerships. Fourteen of the partnerships have calendar year ends and two have a June 30 fiscal year end. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component unit column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2012.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis  
For the year ended June 30, 2012

**Financial Analysis of the Commission as a Whole**

The Commission's total net assets in fiscal year 2012 increased by 3.5%.

Capital assets, net of related debt, are 15% of the Commission's net assets. These capital assets are used primarily to provide housing to low-income residents.

Thirty-three percent of the Commission's net assets reflect cash and investments, which are restricted as to their use. The preponderance of these restricted net assets are used to finance and fund low-income housing.

Fifty-two percent of the Commission's net assets are unrestricted. These non-restricted net assets are used in the operations of the Commission.

**Housing Opportunities Commission's Net Assets**  
*(in millions of dollars)*

	<u>2012</u>	<u>2011</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Assets:</b>				
Current and other assets	\$ 421.4	\$ 403.4	\$ 18.0	\$ 4.5%
Capital assets	334.0	337.4	(3.4)	-1.0%
Mortgage and construction loans receivable	375.1	375.5	(0.4)	-0.1%
Total assets	<u>\$ 1,130.5</u>	<u>\$ 1,116.3</u>	<u>\$ 14.2</u>	<u>\$ 1.3%</u>
<b>Liabilities:</b>				
Current liabilities (including current portion of long term debt and bonds payable)	\$ 90.1	\$ 131.5	\$ (41.4)	\$ -31.5%
Noncurrent liabilities:				
Bonds payable	700.2	661.7	38.5	5.8%
Other liabilities	143.8	133.3	10.5	7.9%
Total liabilities	<u>4 934.1</u>	<u>\$ 926.5</u>	<u>\$ 7.6</u>	<u>\$ 0.8%</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	\$ 28.8	\$ 30.0	\$ (1.2)	\$ -4.0%
<b>Restricted for:</b>				
Debt service	56.7	\$ 41.9	14.8	35.3%
Customer deposits and other	8.5	13.2	(4.7)	5.6%
Closing cost assistance program	0.6	0.9	(0.3)	-33.3%
Unrestricted	<u>101.8</u>	<u>103.8</u>	<u>(2.0)</u>	<u>-1.9%</u>
<b>Total net assets</b>	<u>\$ 196.4</u>	<u>\$ 189.8</u>	<u>\$ 6.6</u>	<u>\$ 3.5%</u>

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Management's Discussion and Analysis  
For the year ended June 30, 2012

Total assets of the Commission increased by \$14.2 million or 1.3%, with a corresponding increase in total liabilities of \$7.6 million or 0.8% from fiscal year 2011. The primary reason for the increase is due to new bonds issued under the Single Family Fund in conjunction with the New Issue Bond Program (NIBP) resulting in an increase in cash and cash equivalents. Furthermore, the interest rate swaps for the MetroPointe bonds were added in fiscal year 2012 which contributed to the increase in the deferred outflow of resources. As required by Governmental Accounting Standards Board (GASB) No. 53, the changes in fair values of hedging derivative instruments are presented as either deferred inflows or outflows in the statement of net assets.

Net assets of the Commission increased by approximately \$6.6 million or 3.5%. Some key elements of this increase are:

**Housing Opportunities Commission's Changes in Net Assets**  
(in millions of dollars)

	<u>2012</u>		<u>2011</u>		<u>Variance (\$)</u>		<u>Variance (%)</u>
Operating revenues:							
Intergovernmental grants	\$ 105.7	\$	105.6	\$	0.1	\$	0.1%
Investment income	7.7		8.2		(0.5)		-6.1%
Unrealized gains (losses) on investments	9.2		(2.2)		11.4		-518.2%
Interest on mortgages and construction loans receivable	16.9		18.4		(1.5)		-8.2%
Dwelling rental	58.5		57.3		1.2		2.1%
Management fees and other income	9.2		8.7		0.5		5.7%
<b>Total operating revenues</b>	<u>\$ 207.2</u>	\$	<u>196.0</u>	\$	<u>11.2</u>	\$	<u>5.7%</u>
Operating expenses:							
Housing assistance payments	\$ 84.0	\$	79.2	\$	4.8	\$	6.1%
Administration	33.9		34.4		(0.5)		-1.5%
Maintenance	15.6		14.8		0.8		5.4%
Depreciation and amortization	16.6		16.1		0.5		3.3%
Utilities	6.2		6.8		(0.6)		-8.8%
Fringe benefits	8.4		7.9		0.5		6.3%
Interest expense	31.5		34.0		(2.5)		-7.4%
Other expenses	7.1		6.9		0.2		2.9%
<b>Total operating expenses</b>	<u>\$ 203.3</u>	\$	<u>200.1</u>	\$	<u>3.2</u>	\$	<u>1.6%</u>
Operating income (loss)	\$ 3.9	\$	(4.1)	\$	8.0	\$	195.8%
Nonoperating revenues, net	1.4		0.8		0.6		75.0%
Income (loss) before contributions	5.3		(3.3)		8.6		-262.1%
Capital contributions and transfers	1.2		4.1		(2.9)		-70.7%
<b>Net increase (decrease) in net assets</b>	<u>\$ 6.5</u>	\$	<u>0.8</u>	\$	<u>5.7</u>	\$	<u>683.1%</u>

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In January 2006, HUD issued PIH Notice 2006-03 which requires that the Annual Budget Authority (ABA) that the Commission receives be reported as income in the same fiscal year regardless of the total housing assistance payments incurred. As of June 30, 2012, the Commission has recorded all ABA received as income.

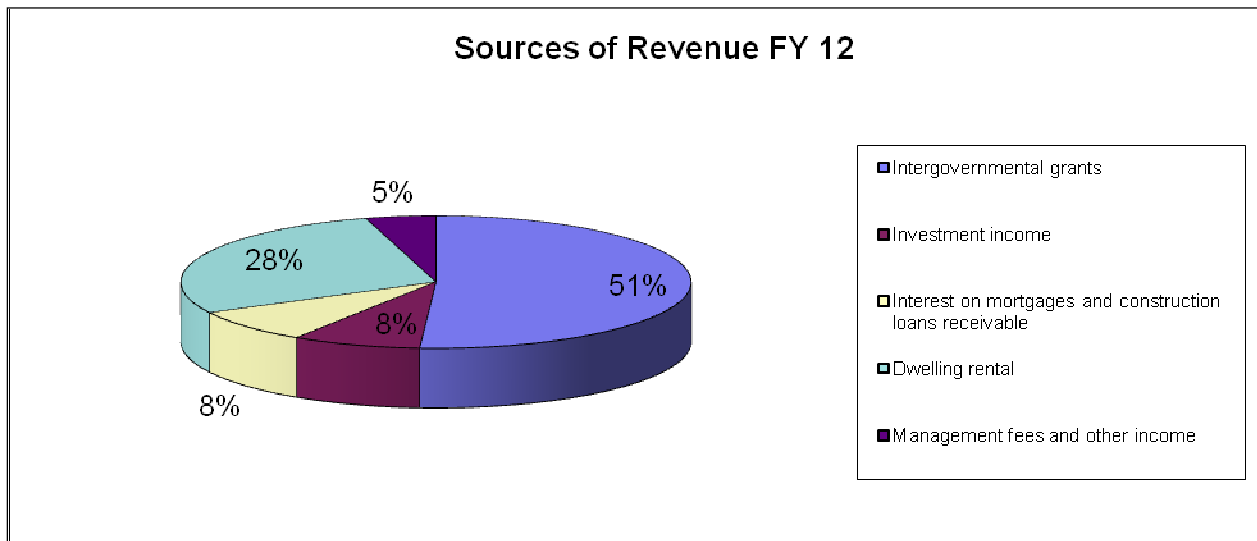
Intergovernmental grants increased by \$0.1 million as a result of an increase in County Grants partly offset by a decrease in Housing Choice Voucher funding received from HUD.

Investment interest income decreased by \$0.5 million in 2012 due to a reduction in the Multifamily Fund. Unrealized gains on investments totaled \$9.2 million as compared to unrealized losses of \$2.2 million in fiscal year 2011. The unrealized gains (losses) on investments reflect the hypothetical gains and/or losses on investments if those investments have been sold on the last day of the reporting period. The unrealized gains are attributed to the changing interest rate environment.

Dwelling rental income increased by \$1.2 million as a result of the increase in rent at several properties in the Opportunity Housing Fund.

Management fees and other income increased by \$0.5 million due to gains on sale of scattered site units.

The following chart shows the Commission's sources of revenue as a percentage of total revenue. The primary sources of revenue for the Commission are grants from federal, state, and local governments, and dwelling rentals.

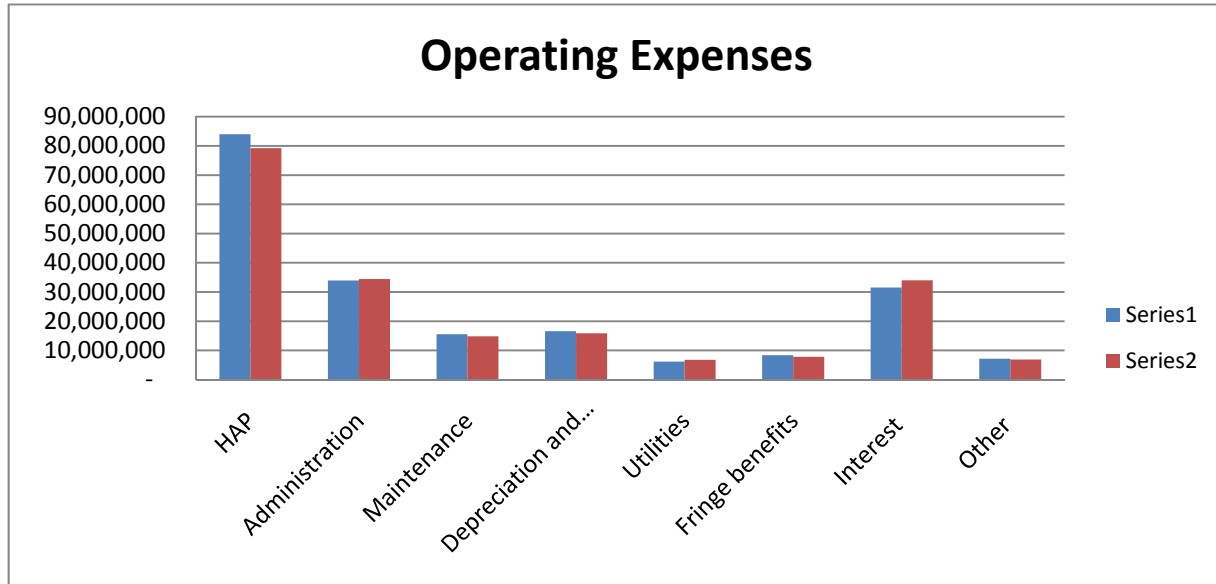




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The following is a comparison of current and prior year operating expenses:



The increase in housing assistance payments is due to an increase in housing choice voucher payments to landlords during fiscal year 2012 as a result of increased utilization and the average payment per voucher.

The increase in maintenance expenses is attributable to increases in maintenance salary expenses as well as various maintenance contracts in both Opportunity Housing Fund and Public Housing properties.

The decrease in utility expenses is a result of a decrease in water and electric consumption at several of the properties within the Opportunity Housing and Public Funds.

The decrease in interest expense is attributable to a decrease in outstanding bonds payable of approximately \$21 million (including the refunding of Burnt Mills and Somerset) as well as decrease in interest rates on variable rate debt.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
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**Housing Opportunities Commission's Capital Assets  
Net of Accumulated Depreciation**  
*(in millions of dollars)*

	<b>2012</b>	<b>2011</b>	<b>(\$)</b> Variance	<b>(%)</b> Variance
Capital assets:				
Property and equipment, net of depreciation	\$ 321.0	\$ 324.0	\$ -3.0	-0.9%
Capitalized lease (net of amortization)	13	13.4	-0.4	-3.0%
<b>Total capital assets, net</b>	<b>\$ 334.0</b>	<b>\$ 337.4</b>	<b>\$ -3.4</b>	<b>-1.0%</b>

Real property is depreciated using a straight line method over a 40 year period. During the year, the Commission acquired assets of approximately \$7.7 million, while disposing of capital assets with a net book value of approximately \$10.7 million. Capital leases are recorded net of amortization, explaining the decrease from the prior year

During the coming year the Commission intends to acquire Moderately Priced Dwelling Units which are scattered throughout Montgomery County, Maryland. These units are intended to serve low to moderate income individuals and families.

The properties within the Commission's portfolio that are scheduled for or currently under major rehabilitation during the coming fiscal year are Tanglewood/Sligo Apartments, Greenhills, Southbridge (formerly Aspen Court).

Note 4 (Capital Assets) provides detailed information about capital asset activity.

**Outstanding Debt**

**Housing Opportunities Commission's Outstanding Debt**  
*(in millions of dollars)*

	<b>2012</b>	<b>2011</b>	<b>(\$)</b> Variance	<b>(\$)</b> Variance
Multifamily bonds	\$ 426.9	\$ 432.4	\$ (5.5)	-1.3%
Single Family Mortgage Purchase Program bonds	305.7	304.3	1.4	0.5%
Mortgage notes and loans payable	36.4	43.9	(7.5)	-17.1%
Capitalized lease obligation	20.5	20.7	(0.2)	-1.0%
Loans payable to Montgomery County	62.9	62.8	0.1	0.2%
Total	<b>\$ 852.4</b>	<b>\$ 864.1</b>	<b>\$ (11.7)</b>	<b>-1.4%</b>

The following are key elements of the Commission's outstanding debt as of June 30, 2012:

- \$426.9 million of multifamily mortgage bonds outstanding. Sources of payments for the bonds are multifamily mortgages receivable of \$323.1 million and cash, cash equivalents and investments of \$152.0 million.
- \$305.7 million of Single Family mortgage bonds outstanding. Sources of payment for the bonds are Single Family mortgages receivable of \$224.8 million and cash, cash equivalents and investments of \$115.4 million.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
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The outstanding debt is secured by real estate or by first mortgages on real estate. The exception is the closing cost assistance program.

Note 8 (Bonds, Mortgage Notes, and Loans Payable) provides detailed information about long-term debt activity.

### **Economic Outlook**

The Board of the Housing Opportunities Commission (HOC), management team, and staff have factored some of the potential broad economic challenges into the fiscal year 2013 budget, including the difficult funding environments for the federal government, State of Maryland, and Montgomery County. More specifically, the continued fiscal challenges may adversely impact HOC's ability to provide assistance to families, which results in longer wait lists for housing and housing assistance. Additionally, more families and individuals are seeking assistance as the job market continues to prove difficult. On the other hand, this continues to be an incredibly low-interest rate environment, which may provide opportunities to reduce financing costs for HOC's real estate portfolio and any acquisition efforts (assuming capital sources begin lending for real estate acquisition efforts).

With the Commission's very diverse activities – public housing authority, housing finance agency, developer, and housing management – the management believes it has a very strong economic outlook. There are some economic factors that will require constant monitoring, but with proper budgeting the potential risks should be minimal.

The Commission expects a slight increase in revenues from property related income, and real estate activity. Cash flows from federal, state and county grants are expected to hold constant or decrease slightly as compared to fiscal year 2011 as a result of HUD funding due to a projected increase in Housing Choice Voucher utilization and new voucher programs. On September 26, 2011, HUD released an advisory notice (PIH 2011-55) which will subject PHA operating subsidy to an allocation adjustment that will reduce the operating subsidy by some percentage of the PHA's excess operating reserves. The Commission submitted to HUD a request to exclude portions of their operating reserves in accordance with PIH Notice 2011-55. Overall, the Commission expects an increase in operating revenues that will be used to increase the funding of operating and replacement reserves.

### **Request for information**

This financial report is designed to provide a general overview of the Commission's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, 10400 Detrick Avenue, Kensington, Maryland, 20895.

HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Statement of Net Assets – Business-Type Activities and  
Discretely Presented Component Units  
June 30, 2012

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units</u>
<b>Assets</b>		
Current assets:		
Unrestricted:		
Cash and cash equivalents	\$ 71,528,211	4,268,304
Advances to component units	22,182,146	—
Accounts receivable and other assets	8,989,428	729,116
Accrued interest receivable	5,435,660	—
Mortgage and construction loans receivable, current	9,445,171	—
Total unrestricted current assets	117,580,616	4,997,420
Restricted cash and cash equivalents and investments:		
Restricted cash and cash equivalents	90,655,793	6,540,416
Restricted short-term investments	13,116,240	—
Current bonds payable	32,883,628	—
Customer deposits	4,332,349	653,800
Total restricted cash and cash equivalents and investments	140,988,010	7,194,216
Total current assets	258,568,626	12,191,636
Noncurrent assets:		
Restricted long-term investments	140,471,213	—
Mortgage and construction loans receivable, net of current portion	365,557,453	—
Capital assets, net of depreciation	321,001,739	118,236,108
Leased property under capital lease, net of amortization	12,987,493	—
Loans receivable from component units	4,165,040	—
Deferred charges	10,583,577	2,761,801
Deferred Outflow of Resources	17,190,178	—
Total noncurrent assets	871,956,693	120,997,909
Total assets	1,130,525,319	133,189,545

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND  
(A Component Unit of Montgomery County, Maryland)

Statement of Net Assets – Business-Type Activities and  
Discretely Presented Component Units  
June 30, 2012

	<b>Business-Type Activities</b>	<b>Real Estate Limited Partnership Component Units</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 20,154,552	3,351,628
Accrued interest payable	1,930,652	5,671,501
Advances from primary government	—	20,280,104
Loans payable to Montgomery County – current	2,844,220	250,000
Mortgage notes and loans payable – current	15,824,341	2,891,639
Capitalized lease obligations – current	169,628	—
Total current unrestricted liabilities	40,923,393	32,444,872
Current liabilities payable from restricted assets:		
Customer deposits payable	3,930,353	624,236
Accrued interest payable	12,769,058	—
Bonds payable – current	32,479,323	—
Total current liabilities payable from restricted assets	49,178,734	624,236
Total current liabilities	90,102,127	33,069,108
Noncurrent liabilities:		
Bonds payable	700,191,542	—
Mortgage notes and loans payable	20,547,968	85,603,351
Loans payable to Montgomery County	60,072,522	12,587,740
Capitalized lease obligations	20,308,586	—
Deferred revenue	21,597,853	19,935
Escrow and other deposits	4,112,218	1,421,345
Interest Rate Swap	17,190,178	—
Total noncurrent liabilities	844,020,867	99,632,371
Total liabilities	934,122,994	132,701,479
<b>Net Assets</b>		
Invested in capital assets, net of related debt	28,827,815	(3,376,725)
Restricted for:		
Debt service	56,670,527	6,540,416
Customer deposits and other	8,531,564	29,564
Closing cost assistance program	617,268	—
Unrestricted	101,755,151	(2,705,189)
Total net assets	\$ 196,402,325	488,066

See accompanying notes to financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Revenues, Expenses and Changes in Net Assets – Business-Type Activities  
and Discreetly Presented Component Units

Year ended June 30, 2012

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units</u>
Operating revenues:		
Dwelling rental	\$ 58,531,965	16,951,251
Investment income	7,720,354	—
Unrealized losses on investments	9,190,260	—
Interest on mortgage and construction loans receivable	16,880,359	—
Management fees and other income	9,180,604	471,336
U.S. Department of Housing and Urban Development grants:		
Housing Assistance Payments (HAP)	77,868,323	—
HAP administrative fees	5,799,380	—
Other grants	11,249,981	—
State and County grants	10,831,271	—
Total operating revenues	<u>207,252,497</u>	<u>17,422,587</u>
Operating expenses:		
Housing Assistance Payments	83,980,027	—
Administration	33,932,375	2,754,010
Maintenance	15,554,691	3,599,608
Depreciation and amortization	16,607,553	5,080,418
Utilities	6,180,231	1,472,062
Fringe benefits	8,372,560	783,989
Interest expense	31,544,664	4,177,883
Other expenses	6,363,970	2,646,367
Bad debt expense	784,371	77,452
Total operating expenses	<u>203,320,442</u>	<u>20,591,789</u>
Operating income/(loss)	<u>3,932,055</u>	<u>(3,169,202)</u>
Nonoperating revenues (expenses):		
Investment income	577,972	12,415
State and County grants	765,279	—
Interest on mortgage and construction loans receivable	166,394	—
Interest expense	(115,534)	—
Other grants	41,229	51,311
Total nonoperating income	<u>1,435,340</u>	<u>63,726</u>
Income/(Loss) before contributions and transfers	5,367,395	(3,105,476)
Capital contributions/(distributions)	1,181,515	(85,249)
Transfer of Ambassador Apartments	—	533,116
Change in net assets	<u>6,548,910</u>	<u>(2,657,609)</u>
Total net assets, beginning of year	189,853,415	3,145,675
Total net assets, end of year	\$ <u>196,402,325</u>	<u>488,066</u>

See accompanying notes to financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Business-Type Activities  
and Discreetly Presented Component Units

Year ended June 30, 2012

	<b>Business-Type Activities</b>	<b>Real Estate Limited Partnership Component Units</b>
Cash flows from operating activities:		
Receipts from customers	\$ 68,115,223	17,398,227
Mortgage principal payments	8,986,405	—
Intergovernmental revenue	105,748,955	—
Investment income received	7,720,354	—
Mortgage interest received	17,957,684	—
Payments to suppliers	(38,331,236)	(7,552,485)
Payments to employees	(34,046,696)	(3,049,226)
Interest paid	(31,862,743)	(5,068,605)
Housing assistance payments	(83,980,027)	—
Net cash provided by operating activities	<u>20,307,919</u>	<u>1,475,911</u>
Cash flows from investing activities:		
Repayments of advances to component units	(1,116,468)	1,051,833
Investments purchased	(14,635,267)	—
Investments sold	50,932,581	—
Investment income received	577,972	12,415
Investment in mortgages receivable	(1,105,353)	—
Mortgage interest received	151,537	—
Net cash provided by investing activities	<u>34,805,002</u>	<u>1,064,248</u>
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds	94,337,313	—
Bond Repayment	(99,064,015)	—
Bond Premium received	584,508	—
Intergovernmental revenue	806,508	51,311
Net cash provided by investing activities	<u>(3,335,686)</u>	<u>51,311</u>
Cash flows from capital and related financing activities:		
Payments for property, equipment and committed financing fees	(24,449,263)	(3,724,566)
Proceeds from sale of property and equipment	11,210,900	5,024,499
Proceeds from new mortgage notes and loans payable	14,506,898	—
Payments on mortgage notes and loans payable	(22,006,832)	(4,237,894)
Proceeds from new loans payable to Montgomery County	2,598,223	—
Payments on loans payable to Montgomery County	(2,476,455)	(1,148,757)
Interest paid on mortgages	(115,534)	—
Proceeds received for FHA risk-sharing loss reserve	607,957	—
Payments on capital lease obligations	(246,437)	—
Capital contributions and transfers	1,181,515	447,867
Net cash (used in) capital and related financing activities	<u>(19,189,028)</u>	<u>(3,638,851)</u>
Net increase in cash and cash equivalents	32,588,208	(1,047,381)
Cash and cash equivalents, beginning of year	166,811,773	12,509,901
Cash and cash equivalents, end of year	<u>\$ 199,399,981</u>	<u>11,462,520</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Business-Type Activities  
and Discreetly Presented Component Units, continued

Year ended June 30, 2012

	<b>Business-Type Activities</b>	<b>Real Estate Limited Partnership Component Units</b>
	<u>                    </u>	<u>                    </u>
Reconciliation of cash and cash equivalents, end of year to amounts in the statement of net assets:		
Current unrestricted cash and cash equivalents	\$ 71,528,211	4,268,304
Restricted cash and cash equivalents:		
Restricted cash and cash equivalents	90,655,793	6,540,416
Current bonds payable	32,883,628	—
Customer deposits	4,332,349	653,800
Total cash and cash equivalents	<u>\$ 199,399,981</u>	<u>11,462,520</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	3,932,055	(3,169,202)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation and amortization	16,607,553	5,080,418
Unrealized losses on investments	(9,190,260)	—
Change in assets and liabilities:		
(Increase) decrease in accounts receivable and other assets	152,137	(22,759)
(Increase) decrease in mortgage and construction loans receivables	1,501,713	—
(Increase) decrease in accrued interest receivable	920,723	—
(Increase) decrease in deferred charges	173,722	—
Increase (decrease) in accounts payable	7,190,260	531,777
Increase (decrease) in deferred revenue	(724,799)	(10,531)
Increase (decrease) in accrued interest payable	(199,828)	(890,722)
Increase (decrease) in escrow and other deposits	(55,357)	(43,070)
Net cash (used in) provided by operating activities	<u>20,307,919</u>	<u>1,475,911</u>
Noncash items:		
Interest on capital appreciation bonds	1,752,313	—

See accompanying notes to financial statements.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Net Assets – Enterprise Funds

June 30, 2012

(with comparative totals for June 30, 2011)

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2012	2011
Current assets:								
Unrestricted:								
Cash and cash equivalents	\$ 25,428,223	25,369,768	6,425,276	13,221,815	1,083,129	—	71,528,211	76,373,882
Interfund receivable (payable)	(7,244,247)	15,315,080	(1,319,508)	(5,188,560)	(1,562,765)	—	—	—
Advances to component units	11,609,302	10,572,844	—	—	—	—	22,182,146	21,065,678
Accounts receivable and other assets	2,718,406	3,804,955	3,143,878	62,096	—	(739,907)	8,989,428	7,627,273
Accrued interest receivable	209,214	1,229,005	—	2,918,990	1,924,364	(845,913)	5,435,660	6,447,532
Mortgage and construction loans receivable, current	15,469,776	—	—	5,487,326	7,553,204	(19,065,135)	9,445,171	9,845,530
Total unrestricted current assets	<u>48,190,674</u>	<u>56,291,652</u>	<u>8,249,646</u>	<u>16,501,667</u>	<u>8,997,932</u>	<u>(20,650,955)</u>	<u>117,580,616</u>	<u>121,359,895</u>
Restricted cash and cash equivalents and investments:								
Restricted cash and cash equivalents	199,209	15,660,058	8,168,186	35,045,702	31,582,638	—	90,655,793	61,354,998
Restricted short-term investments	—	—	—	12,416,465	699,775	—	13,116,240	33,443,562
Current bonds payable	—	—	—	16,049,448	16,834,180	—	32,883,628	25,032,424
Customer deposits	—	1,923,461	2,408,888	—	—	—	4,332,349	4,050,469
Total restricted cash and cash equivalents and investments	<u>199,209</u>	<u>17,583,519</u>	<u>10,577,074</u>	<u>63,511,615</u>	<u>49,116,593</u>	<u>—</u>	<u>140,988,010</u>	<u>123,881,453</u>
Total current assets	<u>48,389,883</u>	<u>73,875,171</u>	<u>18,826,720</u>	<u>80,013,282</u>	<u>58,114,525</u>	<u>(20,650,955)</u>	<u>258,568,626</u>	<u>245,241,348</u>
Noncurrent assets:								
Restricted long-term investments	—	—	—	38,652,975	101,818,238	—	140,471,213	147,250,949
Mortgage and construction loans receivable, net of current portion	4,096,682	16,300,615	—	219,299,373	315,486,679	(189,625,896)	365,557,453	365,653,681
Capital assets, net of depreciation	7,428,260	259,031,588	63,168,555	—	—	(8,626,664)	321,001,739	323,965,665
Leased property under capital lease, net of amortization	495,119	12,492,374	—	—	—	—	12,987,493	13,392,757
Loans receivable from component units	4,165,040	—	—	—	—	—	4,165,040	4,165,040
Deferred charges	—	4,914,959	3,025	4,880,451	811,916	(26,774)	10,583,577	10,657,072
Deferred Outflow of Resources	—	—	—	5,304,183	11,885,995	—	17,190,178	5,982,025
Total noncurrent assets	<u>16,185,101</u>	<u>292,739,536</u>	<u>63,171,580</u>	<u>268,136,982</u>	<u>430,002,828</u>	<u>(198,279,334)</u>	<u>871,956,693</u>	<u>871,067,189</u>
Total assets	<u>\$ 64,574,984</u>	<u>366,614,707</u>	<u>81,998,300</u>	<u>348,150,264</u>	<u>488,117,353</u>	<u>(218,930,289)</u>	<u>1,130,525,319</u>	<u>1,116,308,537</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Net Assets – Enterprise Funds, continued

June 30, 2012

(with comparative totals for June 30, 2011)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2012	2011
<b>Liabilities</b>								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 2,550,980	5,903,809	1,921,154	484,244	10,034,272	(739,907)	20,154,552	11,450,001
Accrued interest payable		2,776,565	—	—	—	(845,913)	1,930,652	1,713,673
Loans payable to Montgomery County – current		2,844,220	—	—	—	—	2,844,220	2,741,835
Mortgage notes and loans payable – current	15,735,967	16,513,509	—	—	—	(16,425,135)	15,824,341	23,250,555
Capitalized lease obligations – current	166,738	2,890	—	—	—	—	169,628	246,438
Total current unrestricted liabilities	18,453,685	28,040,993	1,921,154	484,244	10,034,272	(18,010,955)	40,923,393	39,402,502
Current liabilities payable from restricted assets:								
Customer deposits payable	—	1,802,725	2,127,628	—	—	—	3,930,353	3,717,142
Mortgage notes and loans payable – current	—	—	—	2,640,000	—	(2,640,000)	—	—
Accrued interest payable	—	—	—	4,654,497	8,114,561	—	12,769,058	13,411,172
Bonds payable – current	—	—	—	23,759,704	8,719,619	—	32,479,323	74,977,121
Total current liabilities payable from restricted assets	—	1,802,725	2,127,628	31,054,201	16,834,180	(2,640,000)	49,178,734	92,105,435
Total current liabilities	18,453,685	29,843,718	4,048,782	31,538,445	26,868,452	(20,650,955)	90,102,127	131,507,937
Noncurrent liabilities:								
Bonds payable	—	—	—	281,936,823	418,254,719	—	700,191,542	661,716,639
Mortgage notes and loans payable	371,503	208,107,593	1,694,768	—	—	(189,625,896)	20,547,968	20,621,688
Loans payable to Montgomery County	4,549,409	55,523,113	—	—	—	—	60,072,522	60,053,139
Capitalized lease obligations	348,696	19,959,890	—	—	—	—	20,308,586	20,478,213
Deferred revenue	16,983,824	2,478,295	1,111,139	—	1,051,369	(26,774)	21,597,853	21,714,695
Escrow and other deposits	—	—	—	—	4,112,218	—	4,112,218	4,380,786
Interest Rate Swap	—	—	—	5,304,183	11,885,995	—	17,190,178	5,982,025
Total noncurrent liabilities	22,253,432	286,068,891	2,805,907	287,241,006	435,304,301	(189,652,670)	844,020,867	794,947,185
Total liabilities	40,707,117	315,912,609	6,854,689	318,779,451	462,172,753	(210,303,625)	934,122,994	926,455,122
<b>Net Assets</b>								
Invested in capital assets, net of related debt	7,407,945	(31,427,253)	61,473,787	—	—	(8,626,664)	28,827,815	29,990,548
Restricted for:								
Debt service	—	15,660,058	—	16,148,998	24,861,471	—	56,670,527	41,898,876
Customer deposits and other	—	120,736	8,410,828	—	—	—	8,531,564	13,162,312
Closing cost assistance program	617,268	—	—	—	—	—	617,268	996,159
Unrestricted (deficit)	15,842,654	66,348,557	5,258,996	13,221,815	1,083,129	—	101,755,151	103,805,520
Total net assets	\$ 23,867,867	50,702,098	75,143,611	29,370,813	25,944,600	(8,626,664)	196,402,325	189,853,415

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Revenues, Expenses, and Changes in Net Assets – Enterprise Funds

Year ended June 30, 2012

(with comparative totals for June 30, 2011)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2012	2011
Operating revenues:								
Dwelling rental	\$ 704,171	52,340,356	5,487,438	—	—	—	58,531,965	57,304,024
Investment income	—	—	—	1,903,021	5,817,333	—	7,720,354	8,169,267
Unrealized gains (losses) on investments	—	—	—	5,089,127	4,101,133	—	9,190,260	(2,183,851)
Interest on mortgage and construction loans receivable	—	—	—	10,889,297	16,647,020	(10,655,958)	16,880,359	18,438,510
Management fees and other income	14,068,042	3,140,800	1,469,805	—	564,690	(10,062,733)	9,180,604	8,712,644
U.S. Department of Housing and Urban Development grants:								
Housing Assistance Payments (HAP)	—	—	77,868,323	—	—	—	77,868,323	78,529,266
HAP administrative fees	—	—	5,799,380	—	—	—	5,799,380	6,091,862
Other grants	—	—	11,249,981	—	—	—	11,249,981	10,889,692
State and County grants	—	—	10,831,271	—	—	—	10,831,271	10,069,139
Total operating revenues	<u>14,772,213</u>	<u>55,481,156</u>	<u>112,706,198</u>	<u>17,881,445</u>	<u>27,130,176</u>	<u>(20,718,691)</u>	<u>207,252,497</u>	<u>196,020,553</u>
Operating expenses:								
Housing Assistance Payments	—	—	83,980,027	—	—	—	83,980,027	79,201,987
Administration	9,867,926	9,094,236	16,625,030	2,732,021	2,254,384	(6,641,222)	33,932,375	34,412,838
Maintenance	936,361	10,221,904	4,396,426	—	—	—	15,554,691	14,834,381
Depreciation and amortization	889,613	10,759,453	4,958,487	—	—	—	16,607,553	16,075,783
Utilities	232,095	4,020,674	1,927,462	—	—	—	6,180,231	6,804,381
Fringe benefits	3,541,762	794,187	4,036,611	—	—	—	8,372,560	7,845,250
Interest expense	—	13,269,819	—	10,814,459	18,116,344	(10,655,958)	31,544,664	34,009,553
Other expenses	674,027	6,396,105	2,486,405	228,944	—	(3,421,511)	6,363,970	6,546,617
Bad debt expense	—	250,853	102,454	431,064	—	—	784,371	361,871
Total operating expenses	<u>16,141,784</u>	<u>54,807,231</u>	<u>118,512,902</u>	<u>14,206,488</u>	<u>20,370,728</u>	<u>(20,718,691)</u>	<u>203,320,442</u>	<u>200,092,661</u>
Operating income (loss)	\$ <u>(1,369,571)</u>	<u>673,925</u>	<u>(5,806,704)</u>	<u>3,674,957</u>	<u>6,759,448</u>	<u>—</u>	<u>3,932,055</u>	<u>(4,072,108)</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Revenues, Expenses, and Changes in Net Assets – Enterprise Funds, continued

Year ended June 30, 2012

(with comparative totals for June 30, 2011)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2012	2011
Nonoperating revenues (expenses):								
Investment income	\$ 539,907	20,989	17,076	—	—	—	577,972	609,386
Interest on mortgage and construction loans receivable	126,867	39,527	—	—	—	—	166,394	187,259
Interest expense	(115,534)	—	—	—	—	—	(115,534)	(138,314)
Other grants	—	41,229	—	—	—	—	41,229	37,219
State and County grants	—	765,279	—	—	—	—	765,279	131,020
Total nonoperating income	<u>551,240</u>	<u>867,024</u>	<u>17,076</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,435,340</u>	<u>826,570</u>
Income (loss) before contributions and transfers	(818,331)	1,540,949	(5,789,628)	3,674,957	6,759,448	—	5,367,395	(3,245,538)
Capital contributions	—	—	1,181,515	—	—	—	1,181,515	3,283,006
Transfers in (out)	1,894,722	(52,809)	162	—	(1,842,075)	—	—	—
Transfer of MHLP II & Ambassador Apartments	—	—	—	—	—	—	—	736,869
Changes in net assets	1,076,391	1,488,140	(4,607,951)	3,674,957	4,917,373	—	6,548,910	774,337
Total net assets, beginning of year	<u>22,791,476</u>	<u>49,213,958</u>	<u>79,751,562</u>	<u>25,695,856</u>	<u>21,027,227</u>	<u>(8,626,664)</u>	<u>189,853,415</u>	<u>189,079,078</u>
Total net assets, end of year	<u>\$ 23,867,867</u>	<u>50,702,098</u>	<u>75,143,611</u>	<u>29,370,813</u>	<u>25,944,600</u>	<u>(8,626,664)</u>	<u>196,402,325</u>	<u>189,853,415</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Enterprise Funds

Year ended June 30, 2012

(with comparative totals for June 30, 2011)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multifamily Fund	Eliminations	Combined Totals	
							2012	2011
Cash flows from operating activities:								
Receipts from customers	\$ 14,248,607	56,063,215	6,607,160	—	564,690	(9,368,449)	68,115,223	78,068,164
Mortgage principle payments/receipts	—	—	—	6,212,757	5,271,637	(2,497,989)	8,986,405	(11,502,070)
Intergovernmental principal payments received	—	—	105,748,955	—	—	—	105,748,955	105,579,959
Investment income received	—	—	—	1,903,021	5,817,333	—	7,720,354	8,169,267
Mortgage interest received	—	—	—	11,799,937	16,754,579	(10,596,832)	17,957,684	17,244,142
Receipts from interfund services provided	—	4,219,319	—	87,856	—	—	4,307,175	4,556,043
Payments to suppliers	(4,308,586)	(23,975,612)	(14,974,282)	(2,658,165)	(1,783,040)	9,368,449	(38,331,236)	(41,387,765)
Payments to employees	(11,365,434)	(6,668,440)	(14,472,738)	(1,012,099)	(527,985)	—	(34,046,696)	(34,170,387)
Interest paid	(1,564)	(13,004,396)	—	(10,540,636)	(18,912,979)	10,596,832	(31,862,743)	(32,244,000)
Housing assistance payments	—	—	(83,980,027)	—	—	—	(83,980,027)	(79,201,987)
Payments to interfund services used	(1,554,103)	—	(795,512)	—	(1,957,560)	—	(4,307,175)	(4,556,043)
Net cash provided by (used in) operating activities	(2,981,080)	16,634,086	(1,866,444)	5,792,671	5,226,675	(2,497,989)	20,307,919	10,555,323
Cash flows from investing activities:								
Repayments of advances from (to) component units	(193,409)	(923,059)	—	—	—	—	(1,116,468)	(95,256)
Repayments of advances by component units	—	—	—	—	—	—	—	1,244,266
Investments purchased	—	—	—	(18,172)	(14,617,095)	—	(14,635,267)	(45,785,653)
Investments sold	—	—	—	18,660,656	32,271,926	—	50,932,581	81,289,690
Investment income received	539,907	20,989	17,076	—	—	—	577,972	609,386
Investment in mortgages receivable	169,481	(1,274,834)	—	—	—	—	(1,105,353)	(6,863,387)
Mortgage interest received	112,010	39,527	—	—	—	—	151,537	116,499
Net cash provided by (used in) investing activities	627,989	(2,137,377)	17,076	18,642,484	17,654,831	—	34,805,002	30,515,545
Cash flows from noncapital financing activities:								
Proceeds from sale of bonds	—	—	—	32,784,209	61,553,104	—	94,337,313	134,706,572
Bond repayments	—	—	—	(31,969,015)	(67,095,000)	—	(99,064,015)	(165,519,175)
Bond premium received	—	—	—	584,508	—	—	584,508	—
Intergovernmental revenue	—	806,508	—	—	—	—	806,508	168,239
Net cash provided by (used in) noncapital financing activities	\$ —	806,508	—	1,399,702	(5,541,896)	—	(3,335,686)	(30,644,364)

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Enterprise Funds, continued

Year ended June 30, 2012

(with comparative totals for June 30, 2011)

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multifamily Fund</u>	<u>Eliminations</u>	<u>Combined Totals</u>	
							2012	2011
Cash flows from capital and related financing activities:								
Payments for property, equipment and capital financing fees	\$ (819,672)	(13,673,977)	(9,955,614)	—	—	—	(24,449,263)	(48,050,632)
Proceeds from sale of property and equipment	50	5,544,469	5,666,381	—	—	—	11,210,900	26,553,770
Proceeds from new mortgage notes and loans payable	10,940,943	84,913	469,000	2,640,000	—	372,042	14,506,898	3,600,263
Payments on mortgage notes and loans payable	(11,743,325)	(2,570,175)	—	(6,890,000)	(2,929,279)	2,125,947	(22,006,832)	(196,337)
Proceeds from new loans payable to Montgomery County	93,567	2,504,656	—	—	—	—	2,598,223	9,424,580
Payments on loans payable to Montgomery County	(28,041)	(2,448,414)	—	—	—	—	(2,476,455)	(3,481,244)
Interest paid on mortgages	(115,534)	—	—	—	—	—	(115,534)	(138,314)
Proceeds received for FHA risk-sharing losses reserve	607,957	—	—	—	—	—	607,957	554,865
Payment of principal on capital lease obligations	(243,757)	(2,680)	—	—	—	—	(246,437)	515,830
Capital contributions and transfers	—	—	1,181,515	—	—	—	1,181,515	4,019,875
Net cash provided by (used in) capital and related financing activities	<u>(1,307,812)</u>	<u>(10,561,208)</u>	<u>(2,638,718)</u>	<u>(4,250,000)</u>	<u>(2,929,279)</u>	<u>2,497,989</u>	<u>(19,189,028)</u>	<u>(7,197,344)</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,660,903)</u>	4,742,009	<u>(4,488,086)</u>	21,584,857	14,410,331	—	32,588,208	3,229,160
Cash and cash equivalents, beginning of year	29,288,335	38,211,278	21,490,436	42,732,108	35,089,616	—	166,811,773	163,582,613
Cash and cash equivalents, end of year	\$ <u>25,627,432</u>	<u>49,953,287</u>	<u>17,002,350</u>	<u>64,316,965</u>	<u>49,499,947</u>	<u>—</u>	<u>199,399,981</u>	<u>166,811,773</u>
Reconciliation of cash and cash equivalents, end of year to amounts in the statement of net assets:								
Current unrestricted cash and cash equivalents	\$ 25,428,223	25,369,768	6,425,276	13,221,815	1,083,129	—	71,528,211	76,373,882
Restricted cash and cash equivalents	199,209	15,660,058	8,168,186	35,045,702	31,582,638	—	90,655,793	61,354,998
Current bonds payable	—	—	—	16,049,448	16,834,180	—	32,883,628	25,032,424
Customer deposits	—	1,923,461	2,408,888	—	—	—	4,332,349	4,050,469
Total cash and cash equivalents	\$ <u>25,627,432</u>	<u>42,953,287</u>	<u>17,002,350</u>	<u>64,316,965</u>	<u>49,499,947</u>	<u>—</u>	<u>199,399,981</u>	<u>166,811,773</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Cash Flows – Enterprise Funds, continued

Year ended June 30, 2012

(with comparative totals for June 30, 2011)

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multifamily Fund</u>	<u>Eliminations</u>	<u>Combined Totals</u>	
							2012	2011
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:								
Operating income (loss)	\$ (1,369,571)	673,925	(5,806,704)	3,674,957	6,759,448	—	3,932,055	(4,072,108)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	889,613	10,759,453	4,958,487	—	—	—	16,607,553	16,075,783
Unrealized losses (gains) on investments	—	—	—	(3,240,398)	(4,101,133)	—	(7,341,531)	2,183,851
Change in assets and liabilities:								
Decrease (increase) in accounts receivable and other assets	(492,112)	495,817	(910,983)	(302,269)	—	757,146	152,137	10,584,612
Decrease (increase) in mortgage and construction loans receivable	—	—	—	6,235,711	(2,236,009)	(2,497,989)	1,501,713	(5,678,172)
Decrease (increase) in accrued interest receivable	—	(38,350)	—	910,640	107,559	(59,126)	920,723	(927,050)
Decrease (increase) in deferred charges	—	76,113	(3,025)	(325,223)	417,866	7,991	173,722	(43,991)
Decrease (increase) in interfund receivable	(1,554,103)	4,219,319	(795,512)	87,856	(1,957,560)	—	—	—
(Decrease) increase in accounts payable	(421,847)	133,907	127,368	(278,234)	8,386,212	(757,146)	7,199,260	(9,755,264)
(Decrease) increase in deferred revenue	(31,496)	8,566	390,627	—	(1,084,505)	(7,991)	(724,799)	598,042
(Decrease) increase in accrued interest payable	(1,564)	265,423	—	273,822	(796,635)	59,126	(199,828)	1,765,806
(Decrease) increase in escrow and other deposits	—	39,913	173,298	—	(268,568)	—	(55,357)	(176,186)
Net cash provided by (used in) operating activities	\$ (2,981,080)	16,634,086	(1,866,444)	7,641,400	5,226,675	(2,497,989)	22,156,648	10,555,323

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

June 30, 2012

**(1) Organization and Summary of Significant Accounting Policies**

**(a) Description of the Commission**

The Housing Opportunities Commission of Montgomery County, Maryland (a component unit of Montgomery County, Maryland) (the Commission) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law. In addition, Chapter 41 of the laws of Montgomery County, Maryland, known as the Housing Opportunities Act, permits Montgomery County (the County) to authorize the Commission to perform various housing functions either through a contract with the County or by local law.

Specific powers of the Commission include:

- Acquiring land,
- Utilizing federal/state housing subsidies,
- Making mortgage loans and rent subsidy payments,
- Making construction loans,
- Providing permanent mortgage financing,
- Purchasing mortgages, and
- Issuing Bonds.

Housing activities sponsored by the Commission include:

- The Public Housing Rental Program, which provides housing for low- and moderate-income families and elderly and disabled individuals who pay either a flat rent or 30% of their adjusted gross income for rent;
- Home-Ownership Program, whereby families pay a minimum of 30% of their adjusted gross income each month to the Commission. A portion of this monthly payment is placed in an earned home-payment account, and another sum is placed in a non-routine maintenance reserve. Once a family's income is high enough to secure a mortgage, these reserve accounts can be used for the down payment and/or closing costs. Title to the home is then transferred to the family, and they assume ownership of the home along with all rights and responsibilities of home ownership;



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

June 30, 2012

- Housing Choice Voucher Program, sponsored by the U.S. Department of Housing and Urban Development (HUD), through which eligible persons may seek housing in the private marketplace. The Housing Choice Voucher program allows eligible families to obtain adequate rental housing while paying a minimum of 30% of their monthly income for rent;
- Opportunity Housing Program, which is a local program administered by the Commission for families of eligible income, and includes both sales and rental housing; and
- Tax Credit Partnerships, which provide rental housing for low and moderate income households. The Commission manages these properties and is a 1% or less general partner.

The above activities are supported by a network of tenant services. Funding for these services is provided by federal, state and county government agencies.

Bonds issued by the Commission include Single Family Mortgage Revenue Bonds and Multifamily Housing Revenue Bonds. Single Family Mortgage Revenue Bonds provide below-market interest rate mortgage loans for the purchase of single-family homes for low- to moderate-income families on an equal opportunity basis. The Multifamily Housing Revenue Bonds provide below-market rental units within multifamily developments for low- to moderate-income families.

Except as noted below, neither the Single Family Mortgage Revenue Bonds nor the Multifamily Housing Revenue Bonds constitute a liability or obligation, either direct or indirect, of Montgomery County, the State of Maryland (the State) or any political subdivision thereof and are not backed by the full faith and credit of the Commission, the State or any political subdivision thereof, but are limited obligations of the Commission payable solely from the revenue and other assets of the Commission pursuant to individual Bond Resolutions. The Multifamily Housing Revenue Bonds, 1998 Issue A and 2009 Issue A, are guaranteed as general obligation bonds of Montgomery County.

Management of the Commission and Montgomery County has determined that the Commission is a component unit of the County. Accordingly, the County is required to report the Commission's financial activity, together with all other component units, in its basic financial statements.

**(b) *Financial Reporting Entity***

As required by accounting principles generally accepted in the United States of America (GAAP) these financial statements present the Commission and the following component units, which are entities for which the primary government is considered financially accountable:

**Development Corporations.** The Development Corporations (the Corporations) operate exclusively for non-profit purposes and were created to assist in carrying out housing projects for persons of eligible income. Housing projects undertaken, financed, or assisted by the Corporations and their related expenditures must be approved by the Commission. The Corporations are legally separate from the Commission, and are included in the Opportunity Housing Fund as blended component units, since the Commission can significantly influence the programs, projects, or activities of, or the level of service performed by the Corporations, and their boards of directors are substantially the same as the Commission.

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**Real Estate Limited Partnerships.** The Commission is the managing general partner in 16 real estate limited partnerships. The limited partnership interests are held by third parties unrelated to the Commission. As managing general partner, the Commission has certain rights and responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Commission is financially accountable for the limited partnerships as the Commission is legally obligated to fund operating deficits in accordance with the terms of the partnership agreements. Fourteen of the partnerships have calendar year ends and two have a June 30 fiscal year end. Accordingly, the amounts included for each discretely presented component unit that comprise the aggregate component units column in the combined financial statements are as of and for the respective year ends that fall within the year ended June 30, 2012. Separate financial statements for the individual limited partnerships can be obtained from the Commission.

(c) ***Basis of Accounting***

The financial activities of the Commission are recorded in five proprietary enterprise funds. A brief description of each of the Commission's enterprise funds follows:

- *General Fund* – Includes all operations with the exception of public-funded programs, opportunity housing programs and bond-funded activities. This fund also includes any private grants received and the development costs of tax credit partnerships.
- *Opportunity Housing Fund* – Includes all operating, capital improvements and capital development related to the Commission's opportunity housing portfolio.
- *Public Fund* – Includes all funds the Commission receives from federal, state and local government agencies, and related activities.
- *Multifamily Fund* – Used to account for the proceeds of Multifamily Housing Revenue Bonds, the debt service requirements on the bonds, investments held pursuant to the indenture authorizing the issuance of the bonds and the related mortgage-loan financing for newly constructed or rehabilitated Multi-Family rental housing in the County.
- *Single Family Fund* – Used to account for the proceeds of Single Family Mortgage Revenue Bonds, the debt service requirements on the bonds, investments held pursuant to the indenture authorizing the issuance of the bonds and debt service collected from mortgage loans purchased for the financing of owner-occupied, single-family residences in the County.

The Commission uses the accrual method of accounting, whereby expenses are recognized when a liability is incurred, and revenue is recognized when earned.

Commission financial statements distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a fund's principal ongoing operations. The principal operating revenues of the General and Opportunity Housing Funds are dwelling rentals, management fees and other income. The principal operating revenues of the Public Fund are intergovernmental grants. The principal operating revenues of the Single Family and Multifamily Funds are investment interest and interest on mortgage and construction loans receivable. Operating expenses for the General, Opportunity Housing and Public Funds include

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administrative, maintenance, depreciation and amortization, utilities, and other expenses. Interest expense is included as an operating expense of the Opportunity Housing Fund. Housing assistance payments are considered operating expenses of the Public Fund. The principal operating expenses of the Single Family and Multifamily Funds are interest and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The effect of interfund activity has been eliminated from the combined financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* allows governments to choose not to implement, in proprietary fund types, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, provided that this is applied on a consistent basis, or to continue to follow FASB standards. The Commission has elected not to implement FASB pronouncements issued after that date.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**(d) Investments**

Investments of the General Fund, the Public Fund, and the Opportunity Housing Fund consist of those permitted by the investment policy including obligations of the U.S. Government and federal agencies, bankers' acceptances, repurchase agreements, certificates of deposit, money market mutual funds, investments in the Maryland Local Government Investment Pool, commercial paper, and investments in the Montgomery County investment pool. Investments of the Multifamily Program Fund and the Single Family Mortgage Purchase Program Fund consist of those permitted by the respective bond trust indentures adopted by the Commission providing for the issuance of bonds. Investments are recorded at fair value. Fair value is based upon quoted market prices. The Commission classifies its investments as current or non-current based on the maturity dates. Short-term investments have maturities within one year.

**(e) Mortgage and Construction Loans Receivable**

Mortgage and construction loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. As of June 30, 2012, there were no reserves for loan losses however, the Commission has experienced an increase in loan foreclosures. Note 3, Mortgage and Construction Loans Receivable, provides detailed information about loans in foreclosure and Real Estate Owned (REO) status. Loans that become past due as to principal and interest are evaluated for collectability. Generally, loans are placed on non-accrual status when the mortgage insurance claim has settled. The Commission continually monitors the collectability of all loans in foreclosure and REO status against the sales proceeds and mortgage insurance held by the Commission in determining the need for an

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allowance for loan loss. Additionally, the Commission has an active loan mitigation procedure in place which ensures that servicer activities are monitored and losses to the Commission are minimized. Historically, the Commission's loan losses have been insignificant. Generally, loans are placed on non-accrual status when the mortgage insurance claim has settled. Historically, the Commission's loan losses have been insignificant.

**(f) *Mortgage Risk-Sharing Agreement***

The Commission participates in a mortgage risk-sharing agreement with HUD to provide for full mortgage insurance through the Federal Housing Administration (FHA) of loans for affordable housing. The Commission was approved by HUD as both a Level I and Level II participant. Level I participants assume 50% or more, in 10% increments of the risk of loss from mortgage default and Level II participants assume either 25% or 10% of the risk of loss from mortgage default.

Upon default of a mortgage and the filing of a claim with FHA by the Commission, HUD will pay the claim in full, so the Commission can redeem the bonds. Upon receipt of the cash payment from FHA, the Commission will execute a debenture with HUD for the full amount of the claim within 30 calendar days of the initial claim payment. The instrument will be dated as of the date that the initial claim payment is issued. The debenture shall have a term of 5 years. The Commission will agree to reimburse HUD the full amount of the debenture upon maturity. The Commission must pay annual interest on the debenture at HUD's published debenture rate as of the earlier of the initial endorsement date or the final endorsement date. Upon the sale of the project and settlement of the claim, the Commission will assume a portion of the loss based on the proportion of risk borne by the Commission. The Commission's maximum potential risk of loss as of June 30, 2012 is \$110,837,415 which is collateralized primarily by the underlying properties. Management has established what it deems to be an adequate reserve of \$8,337,582 against this potential loss in excess of the value of the real estate securing the notes.

**(g) *Grants/Contributions from Governmental Agencies***

The Commission receives reimbursement from federal, state and county governmental agencies for the cost of sponsored projects, including administrative costs. Revenue is recognized to the extent of reimbursable costs incurred subject to limitations in the agreements with the sponsoring governmental agencies.

**(h) *Capital Assets***

Capital assets include property held for and under development, operating properties, and fixed assets used in operations that cost \$5,000 or more and have an estimated useful life of at least two years.

The Commission capitalizes costs associated with properties held for and under development, including interest costs during the construction period. The carrying amount of such properties does not exceed the estimated net realizable value.

Operating properties are carried at cost and are depreciated on a straight-line basis. Estimated useful lives are 40 years for buildings and 3 to 15 years for building improvements, site improvements and furniture and equipment.

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The Commission is exempt from county property taxes under specific payment-in-lieu of taxes (PILOT) agreements for all Public Housing and Opportunity Housing properties.

**(i) *Loan Origination, Commitment, and Monitoring Fees***

The Commission charges commitment and financing fees to developers within the Multifamily Fund. Loan origination and commitment fees are deferred and recognized over the life of the related loan as an adjustment of yield. Net deferred fees are amortized to income in a manner approximating the effective interest method. The Commission also incurs cost of issuance expenses for the Single Family bond issues which are deferred and amortized over the life of the bonds. Net deferred fees amounted to \$5,592,140 at June 30, 2012 and are included in deferred charges on the statement of net assets. The Commission also annually receives loan monitoring fees for the ongoing costs of monitoring mortgages and bonds for compliance under the Multifamily Fund. These fees are recognized as earned and are included in management fees and other income in the accompanying statement of revenues, expenses and changes in net assets.

**(j) *Bond Discounts and Premiums***

Bond discounts and premiums are amortized using a method which approximates the effective interest method.

**(k) *Bond Accretion***

Interest expense on capital appreciation bonds is not paid in cash during the term of the bonds, but is added to the principal balance. Accretion is computed using the effective interest method and is included in bond interest expense in the accompanying statement of revenues, expenses and changes in net assets.

**(l) *Cash Equivalents***

For purposes of the statements of cash flows, the Commission considers all highly liquid investments with maturities of twelve months or less when purchased to be cash equivalents.

**(m) *Compensated Absences and Severance***

The Commission's policy provides for the accrual of annual leave only. The accrual is based on the employee's current leave balance and the current hourly rate of pay. The maximum number of hours per employee is 240. The outstanding annual leave accrual as of June 30, 2012 amounted to \$1,931,712 and is included in accounts payable and accrued liabilities in the accompanying statement of net assets.

In July 2006, the Commission adopted a personnel policy for senior executive staff which provides for a severance package including payments up to thirty-six weeks of wages and other benefits. The outstanding annual leave accrual includes the severance package accruals for senior executive staff up to thirty-six weeks as appropriate.

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**(n) Prior-Period Comparative Financial Information**

The basic financial statements include certain prior-year partial comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Commission’s financial statements for the year ended June 30, 2012, from which the partial information was derived.

**(2) Cash, Cash Equivalents, and Investments**

**Business-Type Activities**

**A. Cash**

The Commission’s cash balances as of June 30, 2012 were entirely insured or collateralized with securities held by the Commission’s agent in the Commission’s name.

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Cash:		
General Fund	\$ 9,955,465	9,951,615
Opportunity Housing Fund	31,161,486	31,152,010
Public Fund	9,197,091	9,195,591
	<u>50,314,042</u>	<u>90,299,216</u>
Total cash	\$ <u>50,314,042</u>	<u>90,299,216</u>

**B. Cash Equivalents & Investments**

The General Fund cash and cash equivalents balance at June 30, 2012 includes \$199,209 of cash and cash equivalents restricted for closing cost programs. The Opportunity Housing Fund cash and cash equivalents balance at June 30, 2012 includes \$17,583,519 of cash and cash equivalents restricted in accordance with various loan agreements with agencies of the State of Maryland and Montgomery County, in bond indentures and security deposits. The Public Fund cash and cash equivalent balance includes \$10,577,074 as of June 30, 2012, of security deposits, housing choice voucher funding and home ownership reserves restricted in accordance with the HUD regulations.

The Commission and its discretely presented component unit’s investments are subject to interest rate, credit and custodial risk as described below:

*Interest Rate Risk.* The Commission’s investment policy which applies to the General Fund, Public Fund and the Opportunity Housing Fund requires that the majority of the investments of the Commission must be on a short-term basis (less than one year); however, a portion of the portfolio may be invested in investments with longer maturities (up to two years). The investment requirements for the Multifamily Fund and Single Family Fund are specified within each of the bond trust indentures. The bond trustee is required to invest money in obligations with the objective that sufficient money will be available to pay the

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interest due on the Bonds and will mature or be subject to redemption with the objective that sufficient money will be available for the purposes intended in accordance with the Indenture.

*Credit Risk.* The Commission's investment policy for the General Fund, Public Fund and the Opportunity Housing Fund permits the following investment types: U.S. Government and federal agencies; repurchase agreements; banker's acceptances; money market mutual funds; Maryland Local Government Investment Pool; Montgomery County Local Government Investment Pool; certificate of deposits and time deposits; and commercial paper. Bankers Acceptances of domestic banks and commercial paper must maintain the highest rating from one of the Nationally Recognized Statistical Rating Organizations (NRSRO) as designated by the SEC or State Treasurer. Repurchase agreements require collateralization at 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities provided the collateral is held by a custodian, other than the seller. Certificates of deposit or time deposits must be collateralized at 102% of the market value and held by a custodian other than the seller.

The Commission invests in the Maryland Local Government Investment Pool (MLGIP). The pool is not subject to regulatory oversight by the SEC. The State Legislature created MLGIP with the passage of Article 95 22G, of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, has been managed by PNC Bank. The pool has a AAAM rating from Standard and Poors and maintains a \$1.00 per share value. An MLGIP Advisory Committee of current participants was formed to review, on a semi-annual basis, the activities of the Fund and to provide suggestions to enhance the pool. The fair market value of the pool is the same as the value of the pool shares. The MLGIP issues a publicly available financial report that includes financial statements and required supplementary information for the MLGIP. This report can be obtained by writing: PNC Bank, Maryland Local Government Investment Pool, Mr. David Rommel, 2 Hopkins Plaza, 5<sup>th</sup> Floor, Baltimore, Maryland 21201; or by calling 1-800-492-5160.

The Single Family and Multifamily Funds require that the Trustee invest moneys on deposit under the Indenture in Investment Obligations as defined by the respective Bond Indenture Agreements. Investment Obligations are defined as the following: (i) Government obligations; (ii) bond debentures or other obligation issued by government agencies or corporations; (iii) time deposits or certificate of deposits insured by the Federal Deposit Insurance Corporation; (iv) repurchase agreements backed by obligations described in (i) and (ii) above; (v) investment agreements; (vi) tax exempt obligations; and (vii) money market funds.

*Custodial Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Amounts held in trust accounts and other demand accounts within the General Fund, the Opportunity Housing Fund and the Public Fund are covered by federal depository insurance, or collateralized at a level of at least 102% of market value of principal and accrued interest. The collateral is held by the bank's agent in the Commission's name with the exception of the repurchase agreement collateral for the MLGIP which is segregated and held in the name of PNC Bank's Safe Deposit and Trust's account at the Federal Reserve Bank. The cash and cash equivalents held by PNC Bank for the General Fund, Opportunity Housing Fund and Public Fund are in bank money market accounts and interest bearing accounts. These accounts are not rated by an independent rating agency. The Moody's rating for PNC Bank short-term deposits as of June 30, 2012 was P-1.

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Amounts held in money market funds and investment agreements within the Multifamily and Single Family Funds are typically collateralized at 102% by either U.S. Treasuries or other government guaranteed securities. The Bond Indenture agreements permit investments in funds that contain agency debt which are not collateralized by U.S. Treasuries or other guaranteed government securities. As of June 30, 2012, the Commission held investments in agency securities which were not collateralized but were rated A, AA, Aa2, and AAA.



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As of June 30, 2012 the Commission had the following cash, cash equivalents, investments and maturities:

<u>Cash Equivalents</u>	<u>Fair Value</u>	<u>Ratings</u>
Cash equivalents:		
General Fund		
<i>Money Market Accounts</i>	\$ 15,671,967	N/A
Opportunity Housing Fund		
<i>Investment in Maryland Local</i>		
<i>Government Investment Pool</i>	307,067	AAAm
<i>Money Market Accounts</i>	11,484,734	N/A
Public Fund		
<i>Investment in Maryland Local</i>		
<i>Government Investment Pool</i>	3,981,927	AAAm
<i>Money Market Accounts</i>	3,823,332	N/A
Multifamily Fund		
<i>Money Market Accounts</i>	49,499,947	AAA
Single Family Fund		
<i>Money Market Accounts</i>	64,316,965	AAA
<i>Total cash equivalents</i>	\$ <u>149,085,939</u>	
Short-term Investments:		
Multifamily Fund		
<i>GNMA Pool</i>	699,775	AAA
Single Family Fund		
<i>USG GSE Global Escrow Agreement</i>	12,416,465	N/A
<i>Total short-term investments</i>	\$ <u>13,116,240</u>	

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As of June 30, 2012, the Commission had the following cash, cash equivalents, investments and maturities:

<u>Long Term Investments</u>	<u>Fair Value</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>Greater than 10 years</u>	<u>Rating</u>
Long-term Investments:					
Multifamily Fund					
<i>US Treasuries</i>	\$ 2,706,028	-	1,773,782	932,246	AAA
<i>Fannie Mae</i>	4,619,685	-	-	4,619,685	AAA
<i>Freddie Mac</i>	1,843,062	-	-	1,843,062	AAA
<i>GNMA Pool</i>	90,149,694	37,452,457	-	52,697,237	AAA
<i>Bank One Investment Agreement</i>	591,525	-	-	591,525	AA/Aa2
<i>Federal Farms</i>	1,908,244	-	-	1,908,244	AAA
Single Family Fund					
<i>Federal Farm Credit Banks</i>	7,226,840	-	-	7,226,840	AAA
<i>Federal Home Loan Banks</i>	11,382,132	-	-	11,382,132	AAA
<i>Fannie Mae</i>	1,085,318	-	-	1,085,318	AAA
<i>US Treasuries</i>	9,508,520	2,801,987	5,271,203	1,435,330	AAA
<i>Solomon Repurchase Agreement</i>	2,345,800	2,345,800	-	-	A
<i>Tennessee Valley Authority</i>	7,104,365	-	2,730,863	4,373,502	AAA
Total long-term investments	<u>140,471,213</u>	<u>42,600,244</u>	<u>9,775,848</u>	<u>88,095,121</u>	
<i>Cash balances</i>	<u>50,314,042</u>				
	<u>\$ 352,987,434</u>				
Reconciliation of cash, cash equivalents and investments to amounts in the statement of net assets:					
Current unrestricted cash and cash equivalents	\$ 71,528,211				
Restricted cash and cash equivalents	90,655,793				
Restricted short-term investments	13,116,240				
Restricted cash and cash equivalents for current liabilities	37,215,977				
Noncurrent restricted assets	<u>140,471,213</u>				
	<u>\$ 352,987,434</u>				

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**C. Real Estate Limited Partnership Component Units**

The Real Estate Limited Partnership Component unit cash and cash equivalents balance as of December 31, 2011 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
<b>Cash</b>	\$ 5,898,810	\$ 5,896,646
<b>Cash Equivalents</b>	<u>Fair Value</u>	<u>Rating</u>
<i>Investment in Maryland Local</i>		
<i>Government Investment Pool</i>	\$ 1,478,003	AAAm
<i>Money Market Accounts</i>	<u>4,085,707</u>	N/A
	5,563,710	
Total Cash, Cash Equivalents and Investments	<u>\$ 11,462,520</u>	
Reconciliation of cash and cash equivalents to amounts in the statement of net assets:		
Current unrestricted cash and cash equivalents	\$ 4,268,304	
Restricted cash and cash equivalents for current liabilities	653,800	
Restricted cash and cash equivalents	<u>6,540,416</u>	
	<u>\$ 11,462,520</u>	

All cash equivalents have maturities of one year or less. The Real Estate Limited Partnership Component Units follow the Commission's investment policy.

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**(3) Mortgage and Construction Loans Receivable**

Mortgage and construction loans receivable are secured by deeds of trust evidencing first mortgage liens on applicable real property and are either insured by private mortgage insurance, the U.S. Federal Housing Administration or the Maryland Housing Fund or are guaranteed by the U.S. Department of Veterans Affairs. Mortgage and construction loans receivable as of June 30, 2012 consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
<b>General Fund</b>		
Closing Cost Assistance Loans	5.00% \$	<u>2,683,403</u>
		<u>2,683,403</u>
 <b>Opportunity Housing Fund</b>		
Home-Ownership Assistance Loan Fund (HALF)	4.500 to 6.500%	35,237
Rental Assistance Security Deposit Loan	—	9,879
Metropolitan of Bethesda Limited Partnership	—	1,142,000
Strathmore Court Associates Limited Partnership	—	1,000,000
Barclay One LP & Development Corporation	—	5,347,969
Spring Garden One Associates Limited Partnership	—	<u>3,259,698</u>
		<u>10,794,783</u>
 <b>Multifamily Fund</b>		
Landings Edge	4.95%	5,515,882
Strathmore Court at White Flint - B	7.62%	4,217,961
Manchester	5.20%	1,881,835
Shady Grove	5.20%	6,247,088
Willows	5.20%	4,088,419
Stewartown	6.20%	3,372,260
Tax Credit X	6.20%	3,207,804
Georgian Court	6.20%	4,410,565
Dirng's Reach	6.02%	6,143,889
Forest Oak	4.93%	16,547,227
Silver Spring House	6.35%	1,926,813
Tax Credit 9 Poond Ridge	6.30%	1,674,983

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Tax Credit 9 MPDUs	6.30%	2,858,350
Charter House	6.02%	12,751,594
Rockville Housing	5.21%	3,641,445
Barclay	4.55%	6,079,891
Spring Gardens	4.55%	6,158,135
Metropolitan Tax Credit	6.38%	6,442,594
Argent - A-2	3.92%	8,040,000
Argent - A-2	0.85%	4,795,000
MetroPointe LP	6.50%	2,910,472
MPDU scattered sites	3.95%	9,200,000
Ring House	6.10%	14,725,759
		136,837,966
Less deferred commitment fees		<u>(100,227)</u>
		136,737,739
<b>Single Family Fund</b>		
Mortgage loans receivable, net	4.000 to 13.445%	<u>224,786,699</u>
<b>Total</b>		<u><u>\$ 375,002,624</u></u>

As of June 30, 2012, the amounts available or committed for additional advances or new loans are \$9,939,907 and \$10,714,935 for the Multifamily Fund and the Single Family Fund, respectively.

Included in the mortgage and construction loans receivable balance of the General Fund at June 30, 2012 are interfund mortgage loans receivable from the Opportunity Housing Fund, the Public Fund, the Single Family Fund and the Multifamily Bond Fund amounting to \$16,883,055 which has been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$309,614 for the year ended June 30, 2012 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Opportunity Housing Fund at June 30, 2012 are interfund mortgage loans receivables from the OHRF Fund (internal capital fund) amounting to \$5,505,832, which has been eliminated in the accompanying financial statements.

Included in the mortgage and construction loans receivable balance of the Multifamily Fund are interfund mortgage loans receivable from the Opportunity Housing Fund amounting to \$186,302,144 as of June 30, 2012, which have been eliminated. The related interest revenue, amounting to \$10,346,344 for the year ended June 30, 2012 has also been eliminated.

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Construction loans in the Opportunity Housing and Multifamily Funds generally have maturities of less than one year. Mortgage loans receivable in the Single Family Fund and the Multifamily Fund have maturities extending up to 40 years.

**Single Family Fund**

Currently the Commission has conventional and FHA single family mortgage loans in its portfolio. FHA mortgage loans are insured 100% by HUD. Conventional mortgage loans with a loan to value greater than 80% are insured with primary mortgage insurance. All conventional loans are insured with pool insurance. Three of the mortgage pool insurance policies carry a 1% deductible against losses. The amount of each deductible is 1% of the bond issue. Each of the three deductible amounts is approximately \$300,000. The Commission absorbs losses up to the 1% amount for each individual pool policy before the pool insurance begins to pay on claims. The deductible does not apply to the primary insurance on the conventional loans.

During fiscal year 2012, the Commission experienced an increase in the number of Single Family mortgage loans in foreclosure and Real Estate Owned (REO) status. As of June 30, 2012, approximately \$9.4 million Single Family mortgage loans were in various stages of the loan foreclosure status. An additional, \$5.5 million were in REO status. During fiscal year 2012, the Commission incurred approximately \$431,064 in loan losses as a result of Single Family mortgage loan disposition.

Management takes into consideration the potential for loan losses based on the number of loans in foreclosure and REO status against the sale proceeds from properties sold as well as the mortgage insurance received in determining if an allowance for loan losses is necessary. It employs an active loss mitigation process to ensure that servicer activities are monitored and losses to the Commission are minimized. Based on the history of loan losses and the potential exposure to the Commission after sales proceeds and mortgage insurance receipts the Commission does not believe that an allowance for loan losses is necessary at this time. Further, based on prior analysis, losses are not expected to reach a material threshold for establishing an allowance at this time. The following table provides a breakdown of foreclosures and REO's by type of mortgage loan as of June 30, 2012.

<u>Status</u>	<u>Principal FHA</u>	<u>Interest Receivable</u>	<u>Principal Conventional</u>	<u>Interest Receivable</u>	<u>Total</u>
Foreclosure	\$ 2,073,255	\$ 103,179	\$ 6,687,689	\$ 494,246	\$ 9,358,369
REO	<u>1,117,083</u>	<u>106,793</u>	<u>3,995,852</u>	<u>309,752</u>	<u>5,529,480</u>
Total	3,190,338	209,972	10,683,541	803,998	14,887,849

Total Single Family Mortgage loans outstanding as of June 30, 2012	\$ 224,786,699
Percentage of loans in Foreclosure & REO status to outstanding mortgage loans	1.51%                      5.11%                      6.62%

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**(4) Capital Assets**

**(a) Capital Assets by Proprietary Fund**

The Commission's capital asset activity for the year ended June 30, 2012 was as follows:

	<b>Beginning</b>				<b>Accumulated</b>	<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletion</b>	<b>Transfer In/Out</b>	<b>depreciation</b>	<b>Balance</b>
Land:						
General Fund	\$ 3,447,287					3,447,287
Opportunity Housing Fund	34,189,143		(107,948)			34,081,195
Public Fund	16,175,151		(3,754)			16,171,397
Total land	<u>53,811,581</u>	-	<u>(111,702)</u>	-	-	<u>53,699,879</u>
Site improvements:						
Public Fund	2,945,910				(2,929,949)	15,961
Total site improvements,	<u>2,945,910</u>	-	-	-	<u>(2,929,949)</u>	<u>15,961</u>
Building and improvements:						
General Fund	5,002,241	162,661			(2,568,783)	2,596,119
Opportunity Housing Fund	310,228,143	4,289,889	(2,387,616)	3,009,961	(106,914,490)	208,225,887
Public Fund	99,338,259	18,961	(62,767)	5,573,385	(66,982,221)	37,885,617
Total building and improvements	<u>252,023,987</u>	<u>4,471,511</u>	<u>(2,450,383)</u>	<u>8,583,346</u>	<u>(176,465,494)</u>	<u>248,707,623</u>
Furniture and equipment:						
General Fund	8,181,249	283,342	(50)		(7,136,853)	1,327,688
Opportunity Housing Fund	9,773,892	815,691	(38,944)		(5,912,698)	4,637,941
Public Fund	3,570,232		(26,475)		(3,438,677)	105,080
Total furniture and equipments	<u>6,069,473</u>	<u>24,992</u>	<u>(65,469.00)</u>	-	<u>(16,488,228)</u>	<u>6,070,709</u>
Construction in progress:						
Opportunity Housing Fund	1,728,311	4,741,551		(3,009,961)		3,459,901
Public Fund	10,262,012	4,301,873		(5,573,385)		8,990,500
General Fund	50,516	6,650				57,166
Total construction in progress	<u>12,040,839</u>	<u>9,050,074</u>	-	<u>(8,583,346)</u>	-	<u>12,507,567</u>
Total capital assets,	\$ <u>326,891,790</u>	<u>13,546,577</u>	<u>(2,627,554)</u>	-	<u>(195,883,671)</u>	<u>321,001,739</u>

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Included in operating properties for the Opportunity Housing Fund is an interfund elimination for interest paid to the Multifamily Bond Fund amounting to \$8,626,664 as of June 30, 2012, which was capitalized during construction of the property.

Commission capital assets not being depreciated include land and construction in progress.

**(b) Capital Lease**

In September 2010, the Commission entered into a Master Equipment Lease Purchase Agreement with Banc of America Public Capital Corp with an interest rate of 2.99%. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 5 year term, with an option to purchase the equipment upon expiration of the lease for \$1.00. The Commission has the following General Fund capital lease obligation as of June 30, 2012.

	<b>Outstanding beginning of year</b>	<b>Issued this year</b>	<b>Retired this year</b>	<b>Outstanding end of year</b>	<b>Amount due within one year</b>
\$	<u>677,297</u>		<u>161,863</u>	<u>515,434</u>	<u>166,738</u>

<b>Year ending June 30,</b>	<b>Future minimum payments</b>
2013	180,913
2014	180,913
2015	<u>180,913</u>
Total payments	542,739
Less interest	<u>(27,305)</u>
	515,434
Less: current portion	<u>(166,738)</u>
Long-term portion	<u>\$ 348,696</u>



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In July 2006, the Commission entered into a lease purchase agreement with Bank of America for equipment with an interest rate of 4.0209%. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 5 year term, with an option to purchase the equipment upon expiration of the lease for \$1.00. The Commission has the following General Fund capital lease obligation as of June 30, 2012.

	<b>Outstanding beginning of year</b>	<b>Issued this year</b>	<b>Retired this year</b>	<b>Outstanding end of year</b>	<b>Amount due within one year</b>
\$	<u>81,894</u>	<u>-</u>	<u>81,894</u>	<u>-</u>	<u>-</u>

In August 1997, the Commission entered into a lease agreement for building and land with an interest rate of 7.50%. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is for a 99-year-term, with an option to purchase the land and building after 20 years for approximately \$20,000,000. The Commission has the following Opportunity Housing Fund capital lease obligation as of June 30, 2012.

	<b>Outstanding beginning of year</b>	<b>Issued this year</b>	<b>Retired this year</b>	<b>Outstanding end of year</b>	<b>Amount due within one year</b>
\$	<u>19,965,460</u>	<u>—</u>	<u>2,680</u>	<u>19,962,780</u>	<u>2,890</u>

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Future minimum rentals under the lease are as follows:

Year ending June 30,	<u>Future minimum rentals</u>
2013	1,789,578
2014	1,789,578
2015	1,789,578
2016	1,789,578
2017	1,789,578
2018-2022	8,947,892
2023-2027	8,947,892
2028-2032	8,947,892
2033-2037	8,947,892
2038-2042	8,947,892
2043-2047	8,947,892
2048-2052	8,947,892
2053-2057	8,947,892
2058-2062	8,947,892
2063-2067	8,947,892
2068-2072	8,947,892
2073-2077	8,947,892
2078-2082	8,947,892
2083-2087	8,947,892
2088-2092	8,947,892
2093-2097	7,307,446
Total Payments	150,473,725
Less interest	(130,510,945)
	<u>19,962,780</u>
Less: current portion	(2,890)
Long-term portion	<u><u>19,959,890</u></u>

The following is an analysis of the leased property under capital lease:

Westwood Towers	\$ 19,987,798
Less accumulated amortization	<u>(7,495,424)</u>
	<u><u>\$ 12,492,374</u></u>

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The Commission's capital lease activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Fund:				
<i>General Fund</i>				
Furniture and equipment	\$ 1,495,595	312,550	-	1,808,145
Accumulated amortization	<u>(1,094,907)</u>	<u>(218,119)</u>	-	<u>(1,313,026)</u>
Total furniture and equipment - General Fund	400,688	94,431	-	495,119
<i>Opportunity Housing Fund</i>				
Building and improvements	19,987,798	-	-	19,987,798
Accumulated amortization	<u>(6,995,729)</u>	<u>(499,695)</u>	-	<u>(7,495,424)</u>
Total Building and improvements - Opportunity Housing Fund	<u>12,992,069</u>	<u>(499,695)</u>	-	<u>12,492,374</u>
Total capital leases, net	\$ <u>13,392,757</u>	<u>(405,264)</u>	-	<u>12,987,493</u>

*(c) Component Unit Capital Assets*

<u>Real estate limited partnerships component units</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Land	\$ 19,279,933	26,200	840,555	18,465,578
Building and improvements	148,748,973	3,472,945	6,747,655	145,474,263
Furniture and equipment	5,012,099	211,953	534,200	4,689,852
Total accumulated depreciation	<u>(48,740,035)</u>	<u>(4,922,877)</u>	<u>(3,269,327)</u>	<u>(50,393,585)</u>
Net component unit capital assets	\$ <u>124,300,970</u>	<u>(1,211,779)</u>	<u>4,853,083</u>	<u>118,236,108</u>

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**(5) Advances to Real Estate Partnership Component Units**

Advances to component units represent additional funds provided by the Commission to facilitate the purchase of the rental Moderately Priced Dwelling Units (MPDUs) and to fund operating deficits incurred by the Partnerships. The purchases of the rental MPDUs are collateralized by certain notes receivable of the Partnerships due from the limited partners in connection with the purchase of their limited partnership interests. The Partnerships' agreements:

- Include ground rent to be paid by the Partnerships to the Commission's General Fund. Ground rent for the year ended June 30, 2012, amounted to \$704,171.
- Extend from 45 to 65 years, and call for annual ground rent payments with fixed and variable upward adjustments on January 1 of each calendar year.
- Include management fees of 6.0% of monthly rental collections. Management fees paid to the Commission for the year ended June 30, 2012, amounted to \$96,453.

Due to differences in fiscal year ends, Advances to Component Units differ from Advances from the Primary Government at June 30, 2012.

**(6) Accounts Receivable and Other Assets**

Accounts receivable consists of grants and loans due from HUD and Montgomery County, tenant rents receivable, and amounts due from property managers. All amounts are deemed to be collectible within one year. Accounts receivable and other assets consisted of the following as of June 30, 2012:

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi family Fund</u>	<u>Total</u>
Accounts receivable:						
U.S. Department of Housing and Urban Development \$	—	—	522,884	—	—	522,884
Montgomery County, Maryland	—	327,527	1,202,301	—	—	1,529,828
Other	2,447,213	1,635,631	1,418,693	13,581	—	5,515,118
Other assets	<u>271,193</u>	<u>1,841,797</u>	<u>—</u>	<u>48,515</u>	<u>—</u>	<u>2,161,505</u>
	<u>\$ 2,718,406</u>	<u>3,804,955</u>	<u>3,143,878</u>	<u>62,096</u>	<u>—</u>	<u>9,729,335</u>

Included in the accounts receivable and other assets balance of the Opportunity Housing Fund are interfund accounts receivable from the Multifamily Fund amounting to \$739,907 as of June 30, 2012, which have been eliminated upon consolidation.

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**(7) Interfund Receivables, Payables, and Transfers**

Interfund receivables and payables result from cash collections and disbursements for all funds being processed through the General Fund. All amounts are expected to be repaid within one year. The composition of interfund balances as of June 30, 2012, is as follows:

Due to / from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Opportunity Housing Fund	General Fund	\$ 15,315,080
General Fund	Public Fund	(1,319,508)
General Fund	Multifamily Fund	(1,562,765)
General Fund	Single Family Fund	(5,188,560)
		<u>\$ 7,244,247</u>

Due to / from primary government and component units:

<u>Receivable entity</u>	<u>Payable entity</u>	<u>Amount</u>
Primary government – General Fund	Component units - tax credit limited partnerships	\$ 15,774,342
Opportunity Housing Fund	Component units - tax credit limited partnerships	<u>10,572,844</u>
		<u>\$ 26,347,186</u>

Interfund transfers were made during the fiscal year to reduce interfund receivables and payables. The transfers occur routinely and are approved by the Board of Commissioners.

Interfund transfers:

	<u>Transfer in General Fund</u>
Transfer (in) out:	
Opportunity Housing Fund	\$ (52,809)
Public Fund	162
Multifamily Fund	<u>(1,842,075)</u>
Net transfers in: General Fund	<u>\$ (1,894,722)</u>

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**(8) Bonds, Mortgage Notes, and Loans Payable – Primary Government**

Bonds and mortgage notes have been issued to provide financing for the Commission's housing programs and are collateralized as follows:

- Mortgage loans receivable made on the related developments or single-family residential mortgage loans purchased.
- Substantially all revenue, mortgage payments and recovery payments received by the Commission from mortgage loans made on the related developments.
- Certain accounts, generally debt service reserve funds, established pursuant to the indenture authorizing issuance of the bonds.

Interest rates on bonds payable ranged from 0.25% to 11.26% as of June 30, 2012.

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**(a) Bonds Payable**

The Commission has the following bonds payable outstanding as of June 30, 2012:

	<b>Outstanding Beginning of Year</b>	<b>Issued This Year</b>	<b>Retired This Year</b>	<b>Outstanding end of Year</b>	<b>Amount due within one year</b>
Single Family Fund::					
1998 Series A - Accretions	\$ 28,794,435	1,562,113	1,774,015	28,582,533	—
2001 Series A	1,015,000	—	140,000	875,000	415,000
2002 Series A	2,125,000	—	220,000	1,905,000	310,000
2002 Series B - Accretions	2,957,798	177,096	—	3,134,894	119,704
2002 Series C	16,890,000	—	—	16,890,000	—
2004 Series A	10,045,000	—	325,000	9,720,000	670,000
2004 Series B	685,000	—	335,000	350,000	40,000
2005 Series A	11,850,000	—	570,000	11,280,000	710,000
2005 Series B	1,270,000	—	270,000	1,000,000	255,000
2005 Series C	7,505,000	—	470,000	7,035,000	580,000
2005 Series D	7,900,000	—	320,000	7,580,000	655,000
2006 Series A	12,830,000	—	630,000	12,200,000	815,000
2006 Series B	7,230,000	—	465,000	6,765,000	760,000
2007 Series A	11,165,000	—	570,000	10,595,000	1,050,000
2007 Series B	14,935,000	—	295,000	14,640,000	605,000
2007 Series C	1,000,000	—	—	1,000,000	—
2007 Series D	15,285,000	—	655,000	14,630,000	405,000
2007 Series E	13,000,000	—	4,685,000	8,315,000	—
2007 Series F	10,000,000	—	—	10,000,000	—
2008 Series A	7,460,000	—	450,000	7,010,000	615,000
2008 Series B	2,985,000	—	320,000	2,665,000	115,000
2008 Series C	8,450,000	—	—	8,450,000	—
2008 Series D	17,200,000	—	—	17,200,000	—
2009 Series A	18,850,000	—	400,000	18,450,000	825,000
NIBP 2009 Series A	9,665,000	—	175,000	9,490,000	630,000
NIBP 2009 Series B	14,980,000	—	—	14,980,000	200,000
NIBP 2009 Series C	31,000,000	—	18,620,000	12,380,000	12,380,000
NIBP 2009 Series C-1	9,000,000	—	—	9,000,000	120,000
NiBP 2010 Series A	6,000,000	—	280,000	5,720,000	380,000
2011 Series A	—	12,425,000	—	12,425,000	835,000
2009 Series C-2	—	16,170,000	—	16,170,000	240,000
2009 Series C-3	—	2,450,000	—	2,450,000	30,000
	<u>302,072,234</u>	<u>32,784,209</u>	<u>31,969,015</u>	<u>302,887,428</u>	<u>23,759,704</u>
Less: Unamortized premium	2,224,593			2,809,099	
	<u>\$ 304,296,827</u>			<u>\$ 305,696,527</u>	

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	<b>Outstanding Beginning of Year</b>	<b>Issued This Year</b>	<b>Retired/ Refunded This Year</b>	<b>Outstanding end of Year</b>	<b>Amount due within one year</b>
Multi Family Fund Bonds:					
2009 Issue A	\$ 32,295,000	—	32,295,000	—	—
1998 Issue A	9,825,000	—	355,000	9,470,000	370,000
2002 Series A	21,090,000	—	480,000	20,610,000	505,000
2002 Series C	12,965,000	—	—	12,965,000	—
2008 Series A	13,355,000	—	—	13,355,000	—
1992 Series C	2,465,000	—	120,000	2,345,000	130,000
1995 Series A	2,745,000	—	145,000	2,600,000	155,000
1996 Series A	2,645,000	—	100,000	2,545,000	110,000
1984 Series A - Accretions	113,279	13,104	—	126,383	14,619
1998 Series A	9,525,000	—	280,000	9,245,000	295,000
1998 Series B	13,920,000	—	585,000	13,335,000	610,000
2000 Series A	16,140,000	—	16,140,000	—	—
2000 Series B	23,820,000	—	4,445,000	19,375,000	700,000
2001 Series A	7,630,000	—	7,630,000	—	—
2002 Series A	7,180,000	—	185,000	6,995,000	190,000
2002 Series B	28,760,000	—	490,000	28,270,000	480,000
2003 Series A	17,390,000	—	445,000	16,945,000	460,000
2003 Series B	17,025,000	—	210,000	16,815,000	215,000
2007 Series A	18,040,000	—	365,000	17,675,000	375,000
2007 Series B-1	22,085,000	—	530,000	21,555,000	535,000
2007 Series B-2	3,020,000	—	75,000	2,945,000	80,000
2007 Series C-1	5,110,000	—	230,000	4,880,000	240,000
2007 Series C-2	2,190,000	—	95,000	2,095,000	100,000
2004 Series A	12,935,000	—	265,000	12,670,000	270,000
2004 Series B	3,865,000	—	45,000	3,820,000	45,000
2004 Series C	17,705,000	—	430,000	17,275,000	445,000
2004 Series D	12,855,000	—	305,000	12,550,000	320,000
2005 Series B	5,440,000	—	160,000	5,280,000	160,000
2005 Series C	28,630,000	—	690,000	27,940,000	690,000
2009 Series A-1	38,450,000	—	—	38,450,000	—
2009 Series A-2	8,040,000	—	—	8,040,000	—
2010 Series A	4,860,000	—	—	4,860,000	140,000
2010 Series A	12,375,000	—	—	12,375,000	245,000
2011 Series A	—	33,585,000	—	33,585,000	365,000
2011 Series B	—	3,020,000	—	3,020,000	30,000
2012 Series A	—	24,935,000	—	24,935,000	445,000
	<u>434,488,279</u>	<u>61,553,104</u>	<u>67,095,000</u>	<u>428,946,383</u>	<u>8,719,619</u>
<b>Less: Unamortized discount</b>	<u>(2,091,346)</u>			<u>(1,972,045)</u>	
	<u>\$ 432,396,933</u>			<u>\$ 426,974,338</u>	



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b) Mortgage Notes and Loans Payable

The Commission has the following Opportunity Housing Fund and General Fund mortgage notes and loans payable as of June 30, 2012:

	<u>Outstanding beginning of year</u>	<u>Issued this year</u>	<u>Retired this year</u>	<u>Outstanding end of year</u>	<u>Amount due within one year</u>
Opportunity Housing Fund:					
Paint Branch Townhouses	\$ 107,790	—	107,790	—	—
State Partnership Rental Programs	8,795,567	—	—	8,795,567	—
State Partnership VII	4,712,864	—	—	4,712,864	—
Diamond Square	2,000,000	—	—	2,000,000	—
The Glen	1,211,707	—	—	1,211,707	—
Tanglewood	77,500	—	7,500	70,000	7,500
Paddington Square	6,735,419	—	6,735,419	—	—
Dale Drive	600,000	—	—	600,000	—
Montgomery Arms	127,858	—	3,806	124,052	3,921
CDBG-9611 McAlpine	—	84,913	—	84,913	—
Barclay Development Corp.	2,456,567	—	—	2,456,567	—
Ambassador Apartments	604,122	—	73,950	530,172	76,953
	<u>27,429,394</u>	<u>84,913</u>	<u>6,928,465</u>	<u>20,585,842</u>	<u>88,374</u>
General Fund:					
Line of Credit with PNC Bank	16,392,349	11,086,943	11,743,325	15,735,967	15,735,967
Tax Credit IX	50,500	—	—	50,500	—
	<u>16,442,849</u>	<u>11,086,943</u>	<u>11,743,325</u>	<u>15,786,467</u>	<u>15,735,967</u>
Total mortgage notes and loans payable	\$ <u><u>43,872,243</u></u>	<u><u>11,171,856</u></u>	<u><u>18,671,790</u></u>	<u><u>36,372,309</u></u>	<u><u>15,824,341</u></u>

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Interest rates on mortgage notes and loans payable ranged from Libor plus 90 basis points to 7.67% as of June 30, 2012.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2012 are interfund mortgage loans payable to the Multi-Family Fund amounting to \$186,302,144 which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$10,346,344 for the year ended June 30, 2012 have also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2012 are interfund mortgage loans payable to the General Fund amounting to \$12,548,288, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$290,102 for the year ended June 30, 2012 have also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Fund at June 30, 2012 are interfund mortgage loans payable to the Opportunity Housing Fund (OHRF) Fund amounting to \$5,184,830, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the General Fund at June 30, 2012 are interfund mortgage loans payable to the Opportunity Housing Fund amounting to \$321,003, which have been eliminated in the accompanying financial statements. Included in the mortgage notes and loans payable balance of the Public Fund at June 30, 2012 are interfund mortgage loans payable to the General Fund amounting to \$1,694,767, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the Single Family Fund are interfund mortgage notes and loans payable to the General Fund amounting to \$2,640,000, which have been eliminated in the accompanying financial statements. The interfund mortgage notes and loans payable of Multifamily Fund to the General Fund have been fully paid in fiscal year 2012 and the related interest expense, amounting to \$19,512 for the years ended June 30, 2011 have been eliminated.

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In December 2011, the Commission remarketed Multifamily Housing Development Bonds 2004 Series C (Non-AMT) for \$17,490,000 and 2004 Series D (AMT) for \$12,705,000. The Credit and Liquidity Facility supporting the Remarketed Bonds, originally provided by the U.S. Department of Treasury through its Temporary Credit and Liquid Program was replaced by a TD Bank Letter of Credit.

On October 20, 2011 the Commission converted to long-term securities \$18,620,000 Single Family Housing Revenue Bonds that were issued in escrow pursuant to the New Issue Bond Program (NIBP). The bonds were issued as 2009 Series C-2 and C-3, the proceeds of which along with the sale of \$12,425,000 in market bonds were made money available to purchase new mortgage loans.

In December 2011, the Commission remarketed Single Family Revenue Bonds 2002 Series C (Non-AMT) for \$16,890,000, 2007 Series E (Federally Taxable) for \$8,315,000, 2007 Series F (AMT) for \$10,000,000, 2008 Series C (AMT) for \$8,450,000 and 2008 Series D (Federally Taxable) for \$17,200,000. The Credit and Liquidity Facility securing the Remarketed Bonds, originally provided by the U.S. Treasury Department, was replaced by the Letters of Credit issued by PNC Bank, N.A.

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(c) *Maturities*

Bonds, mortgage notes, and loans payable mature in the years and in the principal and interest amounts as follows:

	<b>Principal</b>				
	<b>General Fund</b>	<b>Opportunity</b>			<b>Combined</b>
		<b>Notes Payable</b>	<b>Housing</b>	<b>Multifamily</b>	
<b>Years ending June 30,</b>	<b>Notes Payable</b>	<b>Fund Notes</b>	<b>Fund Bonds &amp;</b>	<b>Fund Notes</b>	
		<b>Payable</b>	<b>Notes Payable</b>	<b>Payable</b>	
2013	15,735,967	88,384	8,719,619	23,759,704	48,303,674
2014	50,500	91,639	9,421,304	9,960,000	19,523,443
2015	—	95,025	10,183,199	11,200,000	21,478,224
2016	—	98,548	11,485,300	11,275,000	22,858,848
2017	—	102,213	11,932,645	11,500,000	23,534,858
2018-2022	—	169,397	59,844,143	29,015,000	89,028,540
2023-2027	—	113,026	70,905,173	31,420,000	102,438,199
2028-2032	—	32,655	78,265,000	67,957,535	146,255,190
2033-2037	—	18,256	78,755,000	37,810,189	116,583,445
2038-2042	—	—	49,810,000	68,990,000	118,800,000
2043-2047	—	—	27,730,000	—	27,730,000
2048-2052	—	—	11,895,000	—	11,895,000
2053-2057	—	—	—	—	—
Upon sale of property		17,320,138		—	—
	<u>15,786,467</u>	<u>15,786,467</u>	<u>18,129,281</u>	<u>428,946,383</u>	<u>302,887,428</u>
Less unamortized bond discount			(1,972,045)	(1,972,045)	837,054
	<u>15,786,467</u>	<u>18,129,281</u>	<u>426,974,338</u>	<u>426,974,338</u>	<u>305,696,527</u>
					<u>748,429,421</u>
<b>Interest</b>					
	<b>General Fund</b>	<b>Opportunity</b>			<b>Combined</b>
		<b>Notes Payable</b>	<b>Housing</b>	<b>Multifamily</b>	
<b>Years ending June 30,</b>	<b>Notes Payable</b>	<b>Fund Notes</b>	<b>Fund Bonds &amp;</b>	<b>Fund Notes</b>	
		<b>Payable</b>	<b>Notes Payable</b>	<b>Payable</b>	
2013	122,255	24,403	14,667,172	7,547,978	22,361,808
2014	—	21,148	14,667,177	7,156,306	21,844,631
2015	—	17,762	14,397,013	6,775,275	21,190,050
2016	—	14,239	14,108,665	6,377,352	20,500,256
2017	—	10,574	13,738,358	5,944,985	19,693,917
2018-2022	—	21,294	62,912,493	25,672,955	88,606,742
2023-2027	—	12,620	51,465,347	20,643,046	72,121,013
2028-2032	—	5,289	37,309,407	13,597,945	50,912,641
2033-2037	—	738	23,080,080	10,260,485	33,341,303
2038-2042	—	—	13,178,945	2,573,478	15,752,423
2043-2047	—	—	4,458,237	—	4,458,237
2048-2052	—	—	795,564	—	795,564
2053-2057	—	—	—	—	—
	<u>122,255</u>	<u>128,067</u>	<u>264,778,458</u>	<u>106,549,805</u>	<u>371,578,585</u>

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**(d) Derivative Instruments**

At June 30, 2012, the Commission had several derivative instruments outstanding as noted in the table below. The Commission used the synthetic instrument method to evaluate the hedge effectiveness of the interest rate swaps. This method evaluates effectiveness by combining the cash flows on the derivative with the cash flows on the hedged item to create a new instrument. The synthetic rate on the cash flows is calculated based on the combination of all the cash flows and is compared against the fixed rate on the derivative. A potential hedging derivative instrument is effective if the actual synthetic rate is within a range of 90-111 percent of the fixed rate of the potential hedging derivative instrument to be substantially fixed. At June 30, 2012, all hedging derivative instruments shown on the next page met the criteria for effectiveness.

*Objective of the interest rate swaps.* In order to protect against the potential of rising interest rates, the Commission entered into seven separate pay-fixed, receive variable interest rate swaps. The net interest paid on the swaps and variable rate debt is anticipated to be less than the interest paid had the Commission issued fixed-rate debt.

*Terms.* The notional amounts of the swaps match the principal amounts of the associated variable rate debt. Except as discussed under rollover risk, the swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category during the period that the bonds are hedged. The Commission may terminate the swap at market value at any time.

*Fair value.* The termination value of all swaps had a negative fair value as of June 30, 2012 as a result of low interest rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

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<u>Associated Bond Issue</u>	<u>Notional Amounts</u>	<u>Trade Date</u>	<u>Terms</u>	<u>Fair Values</u>	<u>Swap Termination Date</u>	<u>Counterparty/ Credit Rating</u>
Single Family 2002 Series C	\$ 16,890,000	12/12/2002	Receive SIFMA pay 3.63%	\$ (580,571)	1/1/2013	MLCS, A2* /A/A+*-
Multifamily 2004 Series C	\$ 17,275,000	11/5/2004	Receive 63.3% LIBOR + 0.19%, pay 3.653%	\$ (1,493,970)	7/1/2036	MLCS, Aa3 /A/AA-
Multifamily 2004 Series D	\$ 12,550,000	11/5/2004	Receive 63.3% LIBOR + 0.29%, pay 3.76%	\$ (1,087,864)	7/1/2036	MLCS, Aa3 /A/AA-
Single Family 2007 Series F	\$ 10,000,000	10/17/2007	Receive 64.0% LIBOR + 0.30%, pay 4.111%	\$ (1,756,710)	7/1/2038	MLCS, A2* /A/A+*-
Single Family 2008 Series C	\$ 8,450,000	6/10/2008	Receive 63.6% LIBOR + 0.31%, pay 3.865%	\$ (2,966,902)	7/1/2039	MLDP, Aa3/AAA/ NR
Multifamily 2011 Series A	\$ 32,415,000	4/3/2006	Receive 64.0% LIBOR + 0.19%, pay 4.02%	\$ (8,171,017)	1/1/2049	MLCS, Aa3 /A/AA-
Multifamily 2011 Series B	\$ 2,880,000	4/3/2006	Receive 100% LIBOR + 0.10%, pay 6.067%	\$ (1,133,144)	1/1/2049	MLCS, Aa3 /A/AA-
Total	<u>\$ 100,460,000</u>			<u>\$(17,190,178)</u>		

*Credit risk.* The Commission's counterparties may become unable to meet their obligations under the swap agreement. The counterparty for the Commission's swaps is Merrill Lynch Capital Services (MLCS) and Merrill Lynch Derivative Products AG (MLDP). Under the 2004 Series C, 2004 Series D, 2009 Issue A, Note Payable (previously called 2006 Issue A) and 2007 Series F swap agreements, Merrill Lynch Derivative Products (MLDP), a Aaa rated structured entity, guarantees termination payment. As of June 30, 2012, the Commission was not exposed to credit risk with respect to termination payments as all of its swap agreements had negative fair value on this date. However, should interest rates change such that the fair value of the swap becomes positive, the Commission would be exposed to credit risk in the amount of the swap's fair value. The swap agreements do not contain any collateral agreements with the counterparties.

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*Termination Risk.* The Commission or the counterparties may terminate the swap at market value if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the Commission would be liable to the counterparty for a payment equal to the swap's fair value.

*Interest Rate Risk.* The Commission is exposed to interest rate risk on its pay-fixed, receive variable interest rate swaps as the Commission's net payment increases as the LIBOR or the SIFMA swap index decreases.

*Basis Risk.* The Commission is exposed to basis risk on its pay-fixed interest rate swaps because the variable rate payments received on these derivative instruments are based on a rate or index other than interest rates the Commission pays on its hedged variable-rate debt, which is remarketed every 7 days. Should the relationship between the floating rate received on the swap and the floating rate paid on the bonds diverge from historical relationships, the Commission pays more interest than originally anticipated. The Commission considered basis risk when it structured its interest rate swaps and has experienced little basis risk over time.

*Rollover Risk.* The Commission is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature prior to the maturity of the associated debt. The Single Family 2002 Series C derivative instrument exposes the Commission to rollover risk in that the debt maturity date is July 1, 2033 while the swap termination date is January 1, 2013.

*Market-access Risk.* The objectives of the hedging derivative instruments do not involve any plans to issue or refund bonds, so the Commission is not exposed to market-access risk.

*Foreign Currency Risk.* The Commission is not exposed to foreign currency risk on its hedging derivative instruments.

The interest rate swap outstanding related to the Multifamily 2009 Issue A bonds for MetroPointe has been added in fiscal year 2012. The underlying debt was refinanced in new bonds under the Multifamily 2011 Series A without the need for guarantee by Montgomery County.

**(9) Long-Term Debt – Component Units**

The long-term debt of the component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, structures, and equipment of each limited partnership and have varying repayment terms and interest rates ranging from 4.55% to 7.85%.

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The annual maturities of the component units' long-term debt are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>
2013	2,891,639	3,985,297
2014	2,459,474	3,807,347
2015	2,616,410	3,653,115
2016	2,783,757	3,488,617
2017	2,964,490	3,313,068
2018-2022	14,194,421	14,119,952
2023-2027	17,343,438	9,574,979
2028-2032	13,289,534	5,091,133
2033-2037	11,026,026	2,102,248
2038-2042	942,985	485,735
2043-2047	776,415	266,869
2048-2052	2,935,531	29,173
Upon sale of property	14,270,870	29,173
	<u>88,494,990</u>	<u>49,946,706</u>

**(10) Long-Term Debt – Compensated Absences**

A summary of changes in compensated absences is as follows

	Outstanding Beginning			Amount Due Within	
	Of Year	Additions	Deletions	Outstanding End Of Year	One Year
Compensated Absences \$	<u>2,069,487</u>	<u>1,393,072</u>	<u>1,530,847</u>	<u>1,931,712</u>	<u>1,931,712</u>



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**(11) Loans Payable to Montgomery County**

The County advances funds to the Commission and the real estate limited partnership component units (component units) through two Capital Improvement Program Funds. The Commission and the component units use County funds to purchase or construct various housing developments in expectation that permanent financing will be provided through a combination of state, county or federal grants or that loans or bonds will be issued by the Commission or the component units. If the development is funded from another source, the Commission or the component units repay the County. If no alternative funding is found for a development, the County may agree to forgive the Commission's or the component unit's debt. The Commission and the component units paid no interest on funds received from the County for the year ended June 30, 2012. There is no set maturity date or repayment term on borrowings from the County for the projects. The Commission has the following Opportunity Housing Fund, General Fund and component unit loans payable to Montgomery County as of June 30, 2012:

	<u>Outstanding beginning of year</u>	<u>Issued this year</u>	<u>Retired this year</u>	<u>Outstanding end of year</u>	<u>Amount due within one year</u>
Opportunity Housing Fund	\$ 58,311,091	2,504,656	2,448,414	58,367,333	2,844,220
General fund	4,483,883	93,567	28,041	4,549,409	—
	<u>\$ 62,794,974</u>	<u>2,598,223</u>	<u>2,476,455</u>	<u>62,916,742</u>	<u>2,844,220</u>
Real estate limited partnership component units	\$ <u>13,986,497</u>	<u>851,243</u>	<u>2,000,000</u>	<u>12,837,740</u>	<u>250,000</u>

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**(12) Operating Lease Commitments**

The Commission has six leases for its offices in Montgomery County. During fiscal year 2008 the Commission entered into two additional office leases for Customer Service Centers within Montgomery County. The Customer Service Centers contain office space and client walk-in and meeting facilities. On November 21, 2007, the Commission signed a ten year lease with Professional Equity Limited Partnership for the first customer service center located in Gaithersburg, Maryland. The base annual rent is \$189,774 with an annual adjustment to base annual rent of 3%. On January 28, 2008, the Commission signed a ten year lease with Thayer Avenue Limited Partnership for the second Customer Service Center in Silver Spring, Maryland. The base annual rent is \$151,110 with an annual adjustment of 3% per year of the minimum rent in the previous lease year.

Lease expense for the year ended June 30, 2012 for all office space was \$551,059. Future minimum lease obligations under these leases are as follows:

Year ending June 30,	
2013	522,041
2014	536,714
2015	442,205
2016	419,960
2017	432,559
2018 - 2019	419,459
	\$ 2,772,938
	\$ 2,772,938

**(13) Restricted Net Assets**

Restricted net assets represent the portion of total net assets restricted by the requirements of the various bond indentures, for the loan closing cost program, for capital projects and as required by federal programs such as remaining HAP equity for the Housing Choice Voucher Program. All restricted amounts are net of related liabilities.

A certain portion of the unrestricted net assets has been reserved or committed by the Commission for specific purposes and are therefore not available for general operating purposes. This non-spendable fund balance is comprised of the Opportunity Housing Reserve Fund (OHRF) and the FHA Risk Sharing Fund.

OHRF

The Commission established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. The OHRF is now a repository of proceeds from various activities of the agency. The Commission makes the final decisions about how funds from the OHRF are spent by a resolution of the Board of Commissioners. By policy, the Commission has chosen to use the OHRF primarily for future affordable housing production.

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As of June 30, 2012, the Commission committed the following OHRF obligations by resolutions of the Board of Commissioners:

Tanglewood/Sligo Pre-development	\$1,419,894
Scattered Site Pre-development/Relocation/Renovation	2,699,741
Paddington Square Loan and Contribution	680,202
MetroPointe Equity Contribution	517,144
Real Estate Division Personnel Expenses	393,854
Ambassador/Greenhills Pre-development Loan	57,864
Montgomery Consultants	<u>14,155</u>
	<u>\$5,783,499</u>
	=====

In September, 2012, the Commission exercised its right of first refusal to acquire Glenmont Crossing Apartments. In order to finance the acquisition, the Commission issued a commitment of \$3.5 million from the OHRF.

Finally, in March, 2012, the Commission received approval to convert 669 Scattered Site Public Housing units to Housing Choice Vouchers. In October, 2012, the Commission committed \$700,000 from the OHRF to be used for tenant relocation, counseling and legal expenses

FHA Risk Sharing

In September, 2012, the Commission issued a commitment to finance Tanglewood and Sligo LP. using \$9.6 million from HOC's Risk Sharing mortgage insurance premium. (See Subsequent Events, Note (19) Other Financing.

**(14) Pension Plan and Postretirement Health Care Benefits**

*(a) Pension Plan*

All the Commission's full-time employees hired before October 1, 1994, participate in the Employees' Retirement System of Montgomery County (the System), a cost-sharing multiple-employer defined benefit pension plan. The System was established under Chapter 33 of the Montgomery County Code, 1965, as amended. The payroll from Commission employees covered by the System for the year ended June 30, 2012 was \$4,487,874; the Commission's total payroll was \$23,501,635.

Participation in the System is mandatory for employees hired before October 1, 1994, and provides normal retirement benefits equivalent to 2% of the average final earnings multiplied by years of credited service, up to a maximum of 36 years, plus sick leave credits. The benefit may be adjusted for cost of living annually. The average final earnings would be equal to the average earnings for the 36 months immediately preceding retirement or any consecutive 36-month period during employment, whichever is greater. Benefits fully vest on reaching five years of service. Vested employees may retire at or after age 45 and receive reduced retirement benefits.

During the fiscal year 2012, covered employees contributed between 4% to 6% of their salary to the system. The Commission is required by the same statute to contribute the remaining amounts necessary

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to pay benefits when due. The contribution requirements for the three years ended June 30, 2012 is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Commission contribution	\$ 1,116,040	1,360,983	1,272,127
Employee contribution	223,078	213,520	219,304
Total contribution requirement	\$ <u>1,339,118</u>	<u>1,574,503</u>	<u>1,491,431</u>
Contribution requirements as a percentage of covered payroll:			
Commission	24.87%	25.85%	23.50%
Employees	4.97%	4.05%	4.05%

In July 2009 a new retirement option, the Guaranteed Retirement Income Plan (GRIP), was implemented for employees hired after October 1, 1994. During fiscal year 2009, employees participating in the Retirement Savings Plan (RSP) were provided a one-time irrevocable election opportunity to transfer from the RSP to the GRIP effective July 1, 2009. New employees hired after July 1, 2009 have the option to participate in RSP or GRIP. The one time irrevocable election must be made within 150 days of date of hire.

GRIP is a tax-deferred cash balance defined benefit retirement plan under IRS Code Section 401(a). As part of the Employees' Retirement System, the GRIP is a multiple-employer plan of Montgomery County. Participant account balances are determined by credited interest rate, and members must have 3 years participation to become vested in employer contributions. Normal retirement is age 62. Loans and hardship withdrawals are not permitted.

The GRIP plan requires all participants to contribute 4% of their salary. Participants earning salaries exceeding the Social Security wage base must contribute 8% of the excess over the wage base. The Commission contributed 5.69% of each participant's annual salary in fiscal year 2012.

	<u>2012</u>	<u>2011</u>
Commission contribution	\$ 195,212	222,220
Employee contribution	151,041	142,866
Total contribution requirement	\$ <u>346,253</u>	<u>365,086</u>
Contribution requirements as a percentage of covered payroll:		
Commission	5.69%	6.53%
Employees	4.40%	4.09%

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Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's financial statements as of and for the year ended June 30, 2012. A publicly available annual report that includes financial statements and required supplementary information for the System and the Defined Contribution Plan can be obtained by writing the Board of Investment Trustees, Montgomery County Government, 101 Monroe Street, Rockville, Maryland, 20850.

**(b) *Defined Contribution Plan***

All full-time employees of the Commission hired after October 1, 1994 participate in the Montgomery County Government Employees' Retirement Savings Plan (RSP), a cost sharing multiple-employer defined contribution plan. The Plan was established by Montgomery County under Chapter 33 of the Montgomery County Code. Part-time employees of the Commission hired after October 1, 1994 may also participate in the plan.

The plan requires all participants to contribute 4% of their salaries. Participants earning salaries exceeding the Social Security wage base, which approximated \$110,100 at June 30, 2012, must contribute 8% of the excess over the wage base. The plan provides that the Commission must contribute 8% of each participant's annual salary. The County amended the employer contribution from 8% to 6% for fiscal year 2012 only. In addition to a 4% mandatory contribution, participating employees were granted the option to contribute 2% of the after tax salary for fiscal year 2012 only. Employee and employer contributions must remain in the participant's account until retirement or termination of employment. No loans are allowed.

Payroll from the Commission covered by the plan for the year ended June 30, 2012 totaled \$12,432,072. Commission and employee contributions to the plan totaled \$755,541 and \$522,379, respectively, for the year ended June 30, 2012.

**(c) *Other Postemployment Benefits (OPEB)***

*Plan Description:* The Commission is a component unit of Montgomery County, Maryland and a participant in the cost-sharing multiple-employer defined healthcare plan sponsored by the County. The Commission provides postretirement health care benefits, in accordance with County statutes, to all employees who retire after achieving age and years of service requirements. Postemployment benefit provisions and eligibility requirements for retirees are described under the Montgomery County Group Insurance Summary Plan. Postemployment benefits include medical, life, dental, vision and prescription coverage. Currently, 96 retirees meet those eligibility requirements.

*Funding Policy:* The Commission pays 50% to 80% of the group medical and life insurance premiums of those retirees, depending on years of service in the plan. Expenditures for postretirement health care benefits are recognized as the County bills the Commission on a quarterly basis. The annual pay-as-you-go expenditures amounted to \$450,135 during fiscal year 2012. The Commission paid the annual required contribution to the (ARC) in fiscal year 2012 of \$1,020,300 which represents 50% of the Commission's required obligation. The County has waived the remaining \$1,020,300 contribution

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requirement. In fiscal year 2009, the annual required contribution period changed from five years to eight years.

*Annual OPEB cost and Net OPEB Obligation:* The ARC, or annual OPEB cost (AOC) for fiscal year 2012 was based on the actuarial valuation as of July 1, 2010 presented to Montgomery County on March 18, 2011.

*Actuarial Methods and Assumptions:* The actuarial valuation for fiscal year projected 2012 was performed by AON Hewitt with a valuation date of July 1, 2010. The actuarial method used was the Projected Unit Credit Actuarial Cost Method. The estimated cost to the Commission to fund the fiscal year 2013 ARC is \$2,340,000.

**(15) Contingencies**

**(a) *Litigation***

On April 11, 2012, a lawsuit was filed in the Circuit Court for Montgomery County against the Commission by a former tenant in its public housing program charging negligence, breach of lease, retaliatory actions and discriminatory housing practices. The claim for damages, including a request for punitive damages, was \$31,287,127.72. A portion of the claims made by the former tenant would be covered by insurance. An investigation by the Maryland Commission on Civil Rights found no probable cause to believe that discrimination on any covered basis had occurred. The former tenant's original complaint was stricken after a motion to dismiss was filed on behalf of the Commission. An amended complaint (the "Amended Complaint") was filed and the Commission then filed a motion to dismiss the Amended Complaint. On October 10, 2012, the Amended Complaint was dismissed by the Circuit Court, without leave to amend. The former tenant has filed a motion requesting that the Circuit Court permit further amendment of the Complaint which is now pending. The Commission will vigorously defend the matter and has significant defenses to any claim by the former tenant. There is no other litigation pending regarding the Commission, which is not covered by insurance.

**(b) *HUD Program Grants***

The Commission participates in a number of Federal, State and County assisted grant programs, principal of which are the Department of Housing and Urban Development Housing Assistance Payments (Housing Choice Voucher), Low Rent Public Housing, Comprehensive Grants, Lower Income Housing Assistance Program (Housing Choice Voucher Moderate Rehabilitation), Public Housing Capital Fund and Supportive Housing. These programs are subject to financial and compliance audits by grantors or their representatives. The audits of most of these programs for, or including, the year ended June 30, 2012, have not yet been completed. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although management does not believe disallowed amounts, if any, would be material.

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**(16) Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in Montgomery County's self-insurance fund or purchases insurance to address such exposures. The County fund is maintained for general liability and property coverages under which participants share the costs of workers' compensation, comprehensive general, automobile and professional liability, fire and theft, the liability for errors, omissions, and other selected areas which require coverage. Commercial insurance is purchased for claims in excess of coverage by the self-insurance fund and for other risks not covered by the fund. The Commission's liability for claims is limited to insurance premiums paid to the self-insurance fund. During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

**(17) Conduit Debt Obligations**

Conduit debt obligations refer to certain limited-obligation revenue bonds or similar debt instruments issued by the Commission for the purpose of providing capital financing for a third party that is not part of the Commission's reporting entity. The Commission has issued a number of individual bonds for financing for Multifamily developments for which the Commission has no legal liability for repayment or administration. The Commission participates in such issuances in order to increase the availability of affordable housing in the County. The bonds are secured by the facilities financed and are payable from revenues or monies made available to the Commission for such purpose. The bonds do not constitute a debt or charge against the general credit of the Commission, the County, the State or a political subdivision thereof. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The bonds outstanding at June 30, 2012 are summarized below:

Bonds outstanding, beginning of year	\$ 249,286,857
Redemptions during the year	<u>(57,324,667)</u>
Bonds outstanding, end of year	<u>\$ 191,962,190</u>

**(18) Arbitrage**

The Internal Revenue Code of 1986 placed significant restrictions regarding arbitrage on housing finance agencies throughout the United States. Arbitrage occurs when investments of bond proceeds not used to purchase mortgage loans earn more than the interest rate on the bonds or when the housing finance agency has net earnings of more than 1.125% on mortgages purchased with bond proceeds. Under the Internal Revenue Service (IRS) regulations, payment of any positive arbitrage on a bond issue must be made no later than five years after the original issuance and every five years thereafter.

At June 30, 2012, there is a liability of \$104,587 and \$3,078 for the Single Family and Multifamily Fund Programs, respectively, which may be due in future years. The liability is included in the liabilities balance of each fund.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

June 30, 2012

**(19) Subsequent Events**

*Single Family Bond Issue*

The Commission plans to convert approximately \$12.5 million of the remaining \$13 million of escrowed Single Family NIBP bonds in October 2012, as 2009 Series C-4 and 2009 Series C-5. Approximately \$12 million of 2012 Series A bonds will also be issued which, together with the converted bonds constitutes the total \$25 million issuance of Single Family Housing Revenue Bonds. Pursuant to the NIBP requirements, all bonds must be converted by December 25, 2012 or be redeemed. The bond issuance will generate mortgage proceeds for the purchase of Qualified Mortgage Loans as well as Guaranteed Mortgage Backed Securities pursuant to the an Amended and Restated Bond Resolution.

On May 5, 2012, the Commission approved a proposal to add Mortgaged Backed Securities option to the Single Family Mortgage Purchase Program and approved U.S. Bank National Association as the Master Servicer for the program. The aforementioned bond issue, the proceeds of which will be available to purchase MBS backed by pools of qualified mortgages, will enable the implementation of the MBS program. Servicing rights and responsibilities will transfer to U.S. Bank, thereby reducing delinquency and foreclosure risks for the Commission while continuing to provide low cost mortgages to Montgomery County residents. The existing pool of whole loans will continue to be serviced by the current servicers.

*Multifamily Bond Issue*

On September 12, 2012, the Commission issued \$42 million of Multifamily Housing Development Bond Resolution as 2012 Series B and Series C bonds. These bonds refunded prior bonds in five bond series for nine properties in the multifamily bond portfolio. This refunding reduced the debt service on the bonds by lowering the bond yield. The underlying mortgage rate, FHA mortgage insurance, and the maturity date on the bonds remained unchanged.

On August 15, 2012, the Commission closed on the issuance of \$8.4 million of private activity bonds to provide funding for the construction of Victory Court, an 86-unit development that will serve seniors. The bonds were privately placed with Capital One bank, N.A., the sole purchaser.

The Commission plans to issue approximately \$51 million of refunding bonds to refund and redeem prior bonds issued pursuant to the Commission's 2002 Multiple Purpose Indenture (2002 Series C and 2008 Series A) and 1996 Multifamily Housing Development Bond Resolution (2003 Series A). This will allow the termination of credit support under the U.S. Treasury Department's Temporary Credit and Liquidity Program (TCLP) for the 2002 Series C Bonds and the partial termination of liquidity support from PNC Bank, N.A. for the 2008 Series A. If completed, the bonds are expected to be issued in December 2012 when the variable rate demand obligation bonds will convert to fixed rate bonds with mortgage insurance provided by FHA under its Risk Sharing program.

The refunding of the 2003 Series A Bonds (approximately \$16 million) will lower the bonds costs while leaving the mortgages and insurance unchanged for Montgomery Arms, Diamond Square and Brookside Glen apartments.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

June 30, 2012

*Other Financing*

The Commission has issued a commitment to provide financing for the Tanglewood and Sligo LP transaction. The anticipated financing is approximately \$9.6 million which is expected to be funded from unrestricted portion of HOC's Risk Sharing mortgage insurance premium. The loan is expected to be funded at conversion from the construction loan period in early calendar year 2014, will pay interest at 5.50% based on a 30-year amortization schedule, and be for a term of 15 years.

*Status Change of 669 Scattered Site Public Housing Units*

In September 2010, staff introduced the Commission to a potential initiative that would permit HOC to alter the status of its 669 Scattered Site Public Housing units while maintaining the same affordability. In June 2011, an application was submitted to HUD requesting the disposition of these units and on March 8, 2012, HUD approved the Agency's application for the disposition of 669 Public Housing Units.

In the application, it was stated that no Public Housing unit would be disposed of without receipt of a replacement voucher. In April 2012, the Agency submitted two Conversion Voucher Funding Applications. The first application requested that the Agency receive funding for 200 vouchers for the remaining calendar year 2012. The second application requested the Agency receive funding for 469 vouchers for the calendar year 2013. In May 2012, funding for the first 50 vouchers was received and on October 1, 2012, funding for the next 150 vouchers was received.

Also in the application, it was stated the units would be acquired by two development corporations, VPC One Corporation and VPC Two Corporation, for a fee of \$1.00 per unit. On July 25, 2012, the Articles of Incorporation were filed and recorded for the creation of VPC One Corporation. During the Commission's September 5, 2012 meeting, the Commission authorized the Executive Director to execute all documents necessary to record the sale of each unit and the acquisition by VPC One Corporation of each unit. If voucher funding continues to be available, the Agency will continue to sell units to the newly created VPC One Corporation and the yet to be created VPC Two Corporation.

*Development Plan for MHLP II to VI and MPDU 2007*

On August 3, 2011, the Commission approved the development plan for the refinancing of the scattered site units in eight separate ownership entities: Montgomery Homes Limited Partnership (MHLP) II, III, IV, V, VI-a and Moderately Priced Dwelling Unit (MPDU) 2007. Under the plan, the Commission proposed to sell 30 units and to transfer 190 units into a new ownership entity called Scattered Site One Development Corporation. The 190 units are being refinanced from tax-exempt multifamily bonds issued as 2012 Series A.

On July 1, 2012, the Commission sold 190 scattered site units from MHLP II, III, IV, V, VI-a and MPDU 2007 to Scattered Site One Development Corporation for \$5,849,769.

*Employees Retirement System*

Effective July 1, 2012, employees participating in the Employees' Retirement System (ERS) will pay an additional 1% of covered salary toward the cost of the plan for fiscal year 2013, increasing the employee payroll contribution, up to the Social Security Taxable Wage Base, from 5% to 6%. The employee contributions above the Social Security Wage base will increase from 7% to 8%.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

June 30, 2012

*Retirement Savings Plan*

Effective July 1, 2012, the employer match for employees participating in the Retirement Savings Plan is restored to 8% for fiscal year 2013. The employer match was reduced to 6% from 8% for fiscal year 2012 only. In addition, participating employees were provided the opportunity to contribute an additional 2% of their base salary on a post-tax basis in fiscal year 2012. The post tax contribution was only for fiscal year 2012 and was discontinued in fiscal year 2013.

*Guaranteed Retirement Income Plan (GRIP)*

Effective July 1, 2012, the employer match for employees participating in the Guaranteed Retirement Income Plan is restored to 8% for fiscal year 2013. The employer match was reduced to 6% from 8% for fiscal year 2012 only. In addition, participating employees were provided the opportunity to contribute an additional 2% of their base salary on a post-tax basis in fiscal year 2012. The post tax contribution was only for fiscal year 2012 and was discontinued in fiscal year 2013.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 39-P004-501-08

From Inception through June 30, 2012

Management improvements	111,774
Operations	300,000
Administration	199,577
Fees and costs	476,147
Site improvements	180,976
Dwelling structures	1,003,023
Dwelling equipment-nonexpendable	717
Debt service	59,450
Total development costs	\$ <u>2,331,664</u>

The total amount of modernization costs at June 30, 2012, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on October 31, 2011.

See accompanying independent auditor's report.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 0045-1140209E

From Inception through June 30, 2012

Fees and costs	45,601
Site improvements	25,841
Dwelling structures	20,539
Dwelling equipment-nonexpendable	3,000
Non-dwelling structures	311,019
Total development costs	\$ <u>406,000</u>

The total amount of modernization costs at June 30, 2012, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on September 30, 2011.

See accompanying independent auditor's report.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 0045-1140209E

From Inception through June 30, 2012

Fees and costs	17,007
Dwelling structures	61,769
Non-dwelling structures	<u>297,424</u>
Total development costs	\$ <u>376,200</u>

The total amount of modernization costs at June 30, 2012, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on September 30, 2011

See accompanying independent auditor's report.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Statement of Certification of Actual Modernization Costs

Modernization Project Number MD 0045-1140209E

From Inception through June 30, 2012

Fees and costs	64,013
Site improvements	162,629
Dwelling structures	136,308
Dwelling Equipment-Nonexpendable	1,600
Non-dwelling structures	<u>517,150</u>
Total development costs	\$ <u>881,700</u>

The total amount of modernization costs at June 30, 2012, as shown above, is in agreement with the Annual Performance and Evaluation Form submitted to HUD on September 30, 2011

See accompanying independent auditor's report.

**HOUSING OPPORTUNITIES COMMISSION OF  
MONTGOMERY COUNTY, MARYLAND**

**Real Estate Limited Partnership**

**Component Units Financial Statements**

**COMPONENT UNITS:**

The following limited partnerships do not qualify for blending and are, therefore, classified as discreetly presented component units of the Commission. All Real Estate Limited Partnerships financial statements are prepared in accordance with Generally Accepted Accounting Principles:

**Montgomery Homes Limited Partnership VII (MHLP VII)** – which is reported as a component unit, owns and operates 35 moderately priced dwelling units located in various part of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Montgomery Homes Limited Partnership VIII (MHLP VIII)** – which is reported as a component unit, owns and operates 49 moderately priced dwelling units located in various part of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Montgomery Homes Limited Partnership IX (MHLP IX)** – which is reported as a component unit, owns and operates 116 moderately priced dwelling units located in various part of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Montgomery Homes Limited Partnership X (MHLP X)** – which is reported as a component unit, owns and operates 75 moderately priced dwelling units located in various part of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Shady Grove Apartments Limited Partnership** – which is reported as a component unit, owns and operates a 144 unit apartment rental complex for low and moderate income families located in Rockville, Montgomery County, Maryland.

**Manchester Manor Apartments Limited Partnership** – which is reported as a component unit, owns and operates a 53 unit apartment rental complex for low and moderate income families located in Silver Spring, Montgomery County, Maryland.

**Georgian Court Silver Spring Limited Partnership** – which is reported as a component unit, owns and operates a 147 unit apartment rental complex for low and moderate income families under Section 236 of the National Housing Act located in Silver Spring, Montgomery County, Maryland.

**MV Affordable Housing Associates Limited Partnership** – which is reported as a component unit, owns and operates 94 moderately priced dwelling units known as Stewartown Homes for low and moderate income families under Section 236 of the National Housing Act located in Gaithersburg, Montgomery County, Maryland.

**Strathmore Court Associates Limited Partnership** – which is reported as a component unit, owns and operates 51 rental unit apartments for low and moderate income families located in Rockville, Montgomery County, Maryland.

**Metropolitan of Bethesda Limited Partnership** – which is reported as a component unit, owns and operates 92 luxury residential apartment units for low and moderate income families in Bethesda, Montgomery County, Maryland.

**Spring Garden One Associates Limited Partnership** – which is reported as a component unit, owns and operates 58 low-income tax credit apartment units and 24 units at market rate for low and moderate income families in Silver Spring, Montgomery County, Maryland.

**Barclay One Associates Partnership** – which is reported as a component unit, owns and operates 81 rental unit apartments for low and moderate income families located in Bethesda, Montgomery County, Maryland.

**Wheaton University Boulevard Limited Partnership** – which is reported as a component unit, owns and operates 40 rental unit apartments for moderate income families located in Wheaton, Montgomery County, Maryland.

**Forest Oak Towers Limited Partnership** – which is reported as a component unit, owns and operates a 175 unit apartment rental complex for elderly low and moderate income renters located in Gaithersburg, Montgomery County, Maryland.

**The Willows of Gaithersburg Associates Limited Partnership** – which is reported as a component unit, owns and operates a 195 unit rental unit apartments for low income families located in Gaithersburg, Montgomery County, Maryland.

**Hampden Lane Limited Partnership** – which is reported as a component unit, owns and operates 12 rental unit apartments for low and moderate income families located in Bethesda, Montgomery County, Maryland.



Assets	Totals	Reclassification	MHLP VII	MHLP VIII	MHLP IX	MHLP X	Shady Grove	Manchester	Willows
Current Assets									
Cash and Cash Equivalents	\$ 4,268,304		-	36,355	200		865,504	11,106	315,272
Total cash and Investments	4,268,304	-	-	36,355	200	-	865,504	11,106	315,272
Interfund Receivable (Payable)	-	(326,031)				61,269	-		22,869
Accounts Receivable and Other Assets	729,116		17,323	10,313	83,905	56,371	35,210	8,058	55,000
<b>Total Current Assets</b>	<b>4,997,420</b>	<b>(326,031)</b>	<b>17,323</b>	<b>46,668</b>	<b>84,105</b>	<b>117,640</b>	<b>900,714</b>	<b>19,164</b>	<b>393,141</b>
Restricted Cash and Cash Equivalents paid for Current Liabilities	-								
Customer Deposits	653,800		14,647	24,533	49,394	28,403	51,242	26,646	123,219
Total Restricted Cash and Cash Equiv. Paid for Current Liabilities	<b>653,800</b>	<b>-</b>	<b>14,647</b>	<b>24,533</b>	<b>49,394</b>	<b>28,403</b>	<b>51,242</b>	<b>26,646</b>	<b>123,219</b>
Restricted Assets									
Restricted Cash and Cash equivalents	6,540,416		32,683	-	239,194	78,920	841,384	94,932	542,542
Total Restricted Assets	<b>6,540,416</b>	<b>-</b>	<b>32,683</b>	<b>-</b>	<b>239,194</b>	<b>78,920</b>	<b>841,384</b>	<b>94,932</b>	<b>542,542</b>
Property & equipment, net of depreciation	118,236,108		1,928,960	2,476,929	6,920,377	4,028,855	7,348,478	2,325,505	6,288,323
Deferred Charges	2,761,801		-	-	66,778	132,216	159,699	70,125	150,141
<b>Total Noncurrent Assets</b>	<b>120,997,909</b>	<b>-</b>	<b>1,928,960</b>	<b>2,476,929</b>	<b>6,987,155</b>	<b>4,161,071</b>	<b>7,508,177</b>	<b>2,395,630</b>	<b>6,438,464</b>
<b>Total Assets</b>	<b>\$ 133,189,545</b>	<b>(326,031)</b>	<b>1,993,613</b>	<b>2,548,130</b>	<b>7,359,848</b>	<b>4,386,034</b>	<b>9,301,517</b>	<b>2,536,372</b>	<b>7,497,366</b>
<b>Liabilities and Net Assets</b>									
<b>Liabilities</b>									
Current Liabilities									
Accounts payable and accrued liabilities	3,351,628		20,504	8,437	557,048	32,003	55,030	293,785	202,303
Accrued interest payable	5,671,501		-	-	1,201,307	675,024	27,932	8,291	210,405
Advances from primary government	20,280,104	(326,031)	1,966,235	2,547,676	2,180,710		16,590	268,337	
Loans payable to Montgomery County	250,000								
Mortgage notes and loans payable-Current	2,891,639		551,420	-	172,837	94,872	244,997	63,676	365,353
<b>Total Current Liabilities unrestricted liabilities</b>	<b>32,444,872</b>	<b>(326,031)</b>	<b>2,538,159</b>	<b>2,556,113</b>	<b>4,111,902</b>	<b>801,899</b>	<b>344,549</b>	<b>634,089</b>	<b>778,061</b>
Current Liabilities Payable from Restricted Assets									
Customer Deposit Payable	624,236		12,090	19,503	45,476	25,916	50,412	22,954	122,711
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>33,069,108</b>	<b>(326,031)</b>	<b>2,550,249</b>	<b>2,575,616</b>	<b>4,157,378</b>	<b>827,815</b>	<b>394,961</b>	<b>657,043</b>	<b>900,772</b>
Non-Current Liabilities									
Mortgage notes and loans payable	70,095,663	-	-	-	4,445,559	3,159,634	6,130,269	1,849,584	4,195,670
State Loan	2,530,000								
Notes Payable HOC	12,977,688	-			1,153,175	1,138,645	15,080		-
Loans payable to Montgomery County	12,587,740				1,405,500	800,000	282,000	800,000	600,000
Deferred revenue	19,935		-	-	-	-	5,400		8,288
Escrow and other deposits	1,421,345								
<b>Total Non-Current Liabilities</b>	<b>99,632,371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,004,234</b>	<b>5,098,279</b>	<b>6,432,749</b>	<b>2,649,584</b>	<b>4,803,958</b>
<b>Total Liabilities</b>	<b>\$ 132,701,479</b>	<b>(326,031)</b>	<b>2,550,249</b>	<b>2,575,616</b>	<b>11,161,612</b>	<b>5,926,094</b>	<b>6,827,710</b>	<b>3,306,627</b>	<b>5,704,730</b>
<b>Net Assets</b>									
Investment in Capital Assets, Net of Related Debt	-		-	-	-	-	-	-	-
Restricted Net Assets	-		-	-	-	-	-	-	-
Unrestricted Net Assets	-		-	-	-	-	-	-	-
Partners' Equity/Retained Earnings	488,066		(556,636)	(27,486)	(3,801,764)	(1,540,060)	2,473,807	(770,255)	1,792,636
<b>Total Net Assets</b>	<b>488,066</b>	<b>-</b>	<b>(556,636)</b>	<b>(27,486)</b>	<b>(3,801,764)</b>	<b>(1,540,060)</b>	<b>2,473,807</b>	<b>(770,255)</b>	<b>1,792,636</b>
<b>Total Liabilities and Partners' Equity</b>	<b>\$ 133,189,545</b>	<b>(326,031)</b>	<b>1,993,613</b>	<b>2,548,130</b>	<b>7,359,848</b>	<b>4,386,034</b>	<b>9,301,517</b>	<b>2,536,372</b>	<b>7,497,366</b>

	Georgian	Stewartown	Strathmore	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Hampden Lane
<b>Assets</b>									
Current Assets									
Cash and Cash Equivalents	260,909	52,263	16,179	54,011	358,479	658,894	168,174	1,220,907	250,051
Total cash and Investments	260,909	52,263	16,179	54,011	358,479	658,894	168,174	1,220,907	250,051
Interfund Receivable (Payable)	-	-	38,899	-	27,610	175,384	-	-	-
Accounts Receivable and Other Assets	47,111	43,354	49,395	41,488	45,560	34,101	115,164	83,527	3,236
<b>Total Current Assets</b>	<b>308,020</b>	<b>95,617</b>	<b>104,473</b>	<b>95,499</b>	<b>431,649</b>	<b>868,379</b>	<b>283,338</b>	<b>1,304,434</b>	<b>253,287</b>
Restricted Cash and Cash Equivalents paid for Current Liabilities									
Customer Deposits	94,324	47,239	26,447	37,837	29,115	27,111	27,572	44,871	1,200
<b>Total Restricted Cash and Cash Equiv. Paid for Current Liabilities</b>	<b>94,324</b>	<b>47,239</b>	<b>26,447</b>	<b>37,837</b>	<b>29,115</b>	<b>27,111</b>	<b>27,572</b>	<b>44,871</b>	<b>1,200</b>
Restricted Assets									
Restricted Cash and Cash equivalents	395,145	402,631	70,985	360,723	426,013	230,427	320,480	2,099,075	405,282
Total Restricted Assets	395,145	402,631	70,985	360,723	426,013	230,427	320,480	2,099,075	405,282
Property & equipment, net of depreciation	7,031,771	7,227,528	3,931,324	7,583,590	10,515,304	9,281,220	13,263,505	23,662,486	4,421,953
Deferred Charges	127,436	166,829	-	-	346,626	414,891	402,097	706,635	18,328
<b>Total Noncurrent Assets</b>	<b>7,159,207</b>	<b>7,394,357</b>	<b>3,931,324</b>	<b>7,583,590</b>	<b>10,861,930</b>	<b>9,696,111</b>	<b>13,665,602</b>	<b>24,369,121</b>	<b>4,440,281</b>
<b>Total Assets</b>	<b>7,956,696</b>	<b>7,939,844</b>	<b>4,133,229</b>	<b>8,077,649</b>	<b>11,748,707</b>	<b>10,822,028</b>	<b>14,296,992</b>	<b>27,817,501</b>	<b>5,100,050</b>
<b>Liabilities and Net Assets</b>									
<b>Liabilities</b>									
Current Liabilities									
Accounts payable and accrued liabilities	332,531	56,621	15,653	94,625	224,535	60,045	100,235	275,882	1,022,391
Accrued interest payable	17,404	19,652	1,245,673	34,226	1,192,080	717,246	84,109	238,152	-
Advances from primary government	38,864	73,176	2,425,732	8,931,103	-	-	1,558,467	26,193	573,052
Loans payable to Montgomery County	-	-	-	-	-	-	250,000	-	-
Mortgage notes and loans payable-Current	249,605	265,059	134,394	112,839	139,285	137,515	19,427	340,360	-
<b>Total Current Liabilities unrestricted liabilities</b>	<b>638,404</b>	<b>414,508</b>	<b>3,821,452</b>	<b>9,172,793</b>	<b>1,555,900</b>	<b>914,806</b>	<b>2,012,238</b>	<b>880,587</b>	<b>1,595,443</b>
Current Liabilities Payable from Restricted Assets									
Customer Deposit Payable	93,569	46,395	24,593	36,936	27,110	26,505	24,179	44,681	1,206
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>93,569</b>	<b>46,395</b>	<b>24,593</b>	<b>36,936</b>	<b>27,110</b>	<b>26,505</b>	<b>24,179</b>	<b>44,681</b>	<b>1,206</b>
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>731,973</b>	<b>460,903</b>	<b>3,846,045</b>	<b>9,209,729</b>	<b>1,583,010</b>	<b>941,311</b>	<b>2,036,417</b>	<b>925,268</b>	<b>1,596,649</b>
Non-Current Liabilities									
Mortgage notes and loans payable	4,283,833	3,244,181	5,083,567	6,329,756	6,087,702	6,010,352	2,900,601	16,374,955	-
State Loan	-	-	-	-	-	-	1,530,000	-	1,000,000
Notes Payable HOC	137,859	405,043	-	977,000	3,274,431	2,891,404	1,633,687	891,652	459,712
Loans payable to Montgomery County	1,676,298	2,425,420	-	-	1,382,000	-	865,279	1,500,000	851,243
Deferred revenue	6,247	-	-	-	-	-	-	-	-
Escrow and other deposits	-	-	-	-	-	-	-	1,421,345	-
<b>Total Non-Current Liabilities</b>	<b>6,104,237</b>	<b>6,074,644</b>	<b>5,083,567</b>	<b>7,306,756</b>	<b>10,744,133</b>	<b>8,901,756</b>	<b>6,929,567</b>	<b>20,187,952</b>	<b>2,310,955</b>
<b>Total Liabilities</b>	<b>6,836,210</b>	<b>6,535,547</b>	<b>8,929,612</b>	<b>16,516,485</b>	<b>12,327,143</b>	<b>9,843,067</b>	<b>8,965,984</b>	<b>21,113,220</b>	<b>3,907,604</b>
<b>Net Assets</b>									
Investment in Capital Assets, Net of Related Debt	-	-	-	-	-	-	-	-	-
Restricted Net Assets	-	-	-	-	-	-	-	-	-
Unrestricted Net Assets	-	-	-	-	-	-	-	-	-
Partners' Equity/Retained Earnings	1,120,486	1,404,297	(4,796,383)	(8,438,836)	(578,436)	978,961	5,331,008	6,704,281	1,192,446
<b>Total Net Assets</b>	<b>1,120,486</b>	<b>1,404,297</b>	<b>(4,796,383)</b>	<b>(8,438,836)</b>	<b>(578,436)</b>	<b>978,961</b>	<b>5,331,008</b>	<b>6,704,281</b>	<b>1,192,446</b>
<b>Total Liabilities and Partners' Equity</b>	<b>7,956,696</b>	<b>7,939,844</b>	<b>4,133,229</b>	<b>8,077,649</b>	<b>11,748,707</b>	<b>10,822,028</b>	<b>14,296,992</b>	<b>27,817,501</b>	<b>5,100,050</b>

	<u>Totals</u>	<u>Reclassification</u>	<u>MHLP VII</u>	<u>MHLP VIII</u>	<u>MHLP IX</u>	<u>MHLP X</u>	<u>Shady Grove</u>	<u>Manchester</u>	<u>Willows</u>
<b>Operating Revenues:</b>									
U.S. Department of Housing and Urban Dev.									
Dwelling Rental	16,951,251		465,678	623,996	1,481,174	963,711	1,957,562	636,731	1,801,224
Management fees and other income	471,336		5,238	-	10,301	6,720	5,268	1,924	96,865
<b>Total Operating Revenues</b>	<b>17,422,587</b>	<b>-</b>	<b>470,916</b>	<b>623,996</b>	<b>1,491,475</b>	<b>970,431</b>	<b>1,962,830</b>	<b>638,655</b>	<b>1,898,089</b>
<b>Operating Expenses:</b>									
Administration	2,754,010		55,853	72,776	189,833	122,778	247,572	47,442	304,375
Maintenance	3,599,608		175,764	194,981	397,052	305,251	352,173	143,228	417,417
Depreciation and amortization	5,080,418		86,983	137,362	377,909	289,402	349,702	143,220	276,299
Utilities	1,472,062		2,679	2,633	17,105	2,035	135,765	162,892	354,549
Fringe benefits	783,989		17,633	29,185	72,651	39,658	96,338	27,640	108,281
Interest Expense	4,177,883		33,326	-	372,459	262,502	337,710	100,944	38,573
Other	2,646,367		231,623	286,671	438,878	203,769	183,958	103,912	118,524
Bad Debt Expense	77,452		8,946	14,882	7,756	9,226	2,735	186	-
<b>Total Operating Expenses</b>	<b>20,591,789</b>	<b>-</b>	<b>612,807</b>	<b>738,490</b>	<b>1,873,643</b>	<b>1,234,621</b>	<b>1,705,953</b>	<b>729,464</b>	<b>1,618,018</b>
<b>Operating Income (loss)</b>	<b>(3,169,202)</b>	<b>-</b>	<b>(141,891)</b>	<b>(114,494)</b>	<b>(382,168)</b>	<b>(264,190)</b>	<b>256,877</b>	<b>(90,809)</b>	<b>280,071</b>
<b>Nonoperating revenues (expense)</b>									
Investment income	12,415		68	130	561	211	1,169	187	1,164
Other Grants	51,311			13,821	10,377	27,113			
<b>Total Nonoperating Income (Loss)</b>	<b>63,726</b>	<b>-</b>	<b>68</b>	<b>13,952</b>	<b>10,938</b>	<b>27,113</b>	<b>1,169</b>	<b>187</b>	<b>1,164</b>
<b>Income (Loss) before Capital Grants</b>	<b>(3,156,787)</b>	<b>-</b>	<b>(141,823)</b>	<b>(114,364)</b>	<b>(381,607)</b>	<b>(263,979)</b>	<b>258,046</b>	<b>(90,622)</b>	<b>281,235</b>
<b>Net Income</b>	<b>(3,156,787)</b>	<b>-</b>	<b>(141,823)</b>	<b>(114,364)</b>	<b>(381,607)</b>	<b>(263,979)</b>	<b>258,046</b>	<b>(90,622)</b>	<b>281,235</b>
Capital Contributions	(85,249)								
Transfer of Ambassador Apartments	533,116								
Change in Net assets	(2,708,920)								
Net assets, beginning of year	3,145,675								
Net assets, ending of year	<b>488,066</b>								

	<u>Georgian</u>	<u>Stewartown</u>	<u>Strathmore</u>	<u>Metropolitan</u>	<u>Spring Garden</u>	<u>Barclay</u>	<u>Wheaton Metro</u>	<u>Forest Oak</u>	<u>Hampden Lane</u>
<b>Operating Revenues:</b>									
U.S. Department of Housing and Urban Dev.									
Dwelling Rental	1,312,177	1,180,996	574,614	656,475	1,022,040	1,008,130	660,333	2,573,892	32,518
Management fees and other income	51,284	8,080	2,331	15,236	9,847	18,787	142,492	96,963	-
<b>Total Operating Revenues</b>	<b>1,363,461</b>	<b>1,189,076</b>	<b>576,945</b>	<b>671,711</b>	<b>1,031,887</b>	<b>1,026,917</b>	<b>802,825</b>	<b>2,670,855</b>	<b>32,518</b>
<b>Operating Expenses:</b>									
Administration	250,461	212,417	122,352	213,494	136,666	123,386	279,950	339,525	35,130
Maintenance	347,794	367,945	156,239	171,571	104,463	107,721	74,654	281,904	1,451
Depreciation and amortization	329,228	365,382	272,980	319,038	441,941	491,771	582,474	585,984	30,743
Utilities	102,271	103,092	63,944	181,801	75,802	71,938	69,058	126,356	142
Fringe benefits	94,325	82,791	22,323	39,863	15,068	27,625	27,524	70,090	12,994
Interest Expense	145,550	81,223	332,647	413,845	502,761	447,283	220,030	889,030	-
Other	158,021	152,254	28,922	135,100	101,213	186,532	76,966	218,771	21,253
Bad Debt Expense	8	5,027	424	3,967	4,429	3,847	15,267	752	-
<b>Total Operating Expenses</b>	<b>1,427,658</b>	<b>1,370,131</b>	<b>999,831</b>	<b>1,478,679</b>	<b>1,382,343</b>	<b>1,460,103</b>	<b>1,345,923</b>	<b>2,512,412</b>	<b>101,713</b>
<b>Operating Income (loss)</b>	<b>(64,197)</b>	<b>(181,055)</b>	<b>(422,886)</b>	<b>(806,968)</b>	<b>(350,456)</b>	<b>(433,186)</b>	<b>(543,098)</b>	<b>158,443</b>	<b>(69,195)</b>
<b>Nonoperating revenues (expense)</b>									
Investment income	2,013	643	90	91	1,083	539	927	1,700	1,839
<b>Total Nonoperating Income (Loss)</b>	<b>2,013</b>	<b>643</b>	<b>90</b>	<b>91</b>	<b>1,083</b>	<b>539</b>	<b>927</b>	<b>1,700</b>	<b>1,839</b>
<b>Income (Loss) before Capital Grants</b>									
	<b>(62,184)</b>	<b>(180,412)</b>	<b>(422,796)</b>	<b>(806,877)</b>	<b>(349,373)</b>	<b>(432,647)</b>	<b>(542,171)</b>	<b>160,143</b>	<b>(67,356)</b>
<b>Net Income</b>	<b>(62,184)</b>	<b>(180,412)</b>	<b>(422,796)</b>	<b>(806,877)</b>	<b>(349,373)</b>	<b>(432,647)</b>	<b>(542,171)</b>	<b>160,143</b>	<b>(67,356)</b>
Capital Contributions									
Transfer of Ambassador Apartments									
Change in Net assets									
Net assets, beginning of year									
Net assets, ending of year									

### III. STATISTICAL SECTION

**Housing Opportunities Commission of Montgomery County**  
**Statistical Section Narrative**  
**For the fiscal Year Ended June 30, 2012**

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This part of the Housing Opportunities comprehensive annual financial report presents detailed information as a context for understanding the information in the management's discussion and analysis, financial statements, notes and required supplementary information in relation to the Commission's overall financial health.

**Contents**

**Financial Trends**

These schedules contain trend information to assist the reader in understanding how the Commission's financial performance and well-being have changed over time. See pages 79-80.

**Revenue Capacity**

These schedules contain information to assist the reader in accessing the factors affecting the Commission's ability to generate its own source revenue. See pages 81-83.

**Debt Capacity**

These schedules present information to assist the reader in assessing the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt in the future. See pages 84-88.

**Operating Information**

These schedules contain information about the Commission's operations and resources to assist the reader in understanding how the Commission's financial information relates to the services the Commission provides and the activities it performs. See pages 89-92.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within the Commission's financial activities take place and to assist in making comparisons over time with other housing authorities. See pages 93-96.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
NET ASSETS BY COMPONENT  
LAST ELEVEN YEARS ENDED JUNE 30, 2012**

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Year	Invested in Capital Assets			Total Net Assets
	Net of Related Debt	Restricted	Unrestricted	
2002	\$33,137,217	\$57,044,829	\$53,495,437	\$143,677,483
2003	25,804,778	60,325,677	70,077,777	156,208,232
2004	35,900,750	43,004,294	73,011,523	151,916,567
2005	31,118,443	45,091,955	86,835,351	163,045,749
2006	41,079,396	31,493,525	87,874,552	160,447,473
2007	43,431,423	30,809,793	99,342,652	173,583,868
2008	39,974,579	44,853,616	100,508,641	185,336,836
2009	34,340,554	43,134,354	107,505,451	184,980,359
2010	26,296,666	51,999,283	110,783,129	189,079,078
2011	29,990,548	56,057,347	103,805,520	189,853,415
2012	28,827,815	65,819,359	101,755,151	196,402,325

Note: prior year's data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
CHANGE IN NET ASSETS BY ENTERPRISE FUND  
LAST ELEVEN YEARS ENDED JUNE 30, 2012**

<b>General Fund</b>				<b>Opportunity Housing Fund</b>			<b>Public Fund</b>		
Fiscal Year	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets
2012	17,333,709	16,257,318	1,076,391	56,295,371	54,807,231	1,488,140	113,904,951	118,512,902	(4,607,951)
2011	19,019,403	16,660,574	2,358,829	54,067,494	55,672,103	(1,604,609)	116,369,807	114,476,830	1,892,977
2010	17,829,253	17,470,766	358,487	48,723,294	50,219,840	(1,496,546)	114,291,104	110,705,670	3,585,434
2009	24,822,954	19,576,621	5,246,333	48,636,324	54,912,968	(6,276,644)	105,254,560	105,958,797	(704,237)
2008	18,605,303	16,165,334	2,439,969	49,211,864	45,662,928	3,548,936	102,866,531	98,523,036	4,343,495
2007	18,398,540	14,669,524	3,729,016	43,925,076	40,419,947	3,505,129	97,655,029	92,205,862	5,449,167
2006	13,101,933	13,271,621	(169,688)	47,084,754	39,944,912	7,139,842	92,719,426	89,976,339	2,743,087
2005	15,343,680	11,750,449	3,593,231	50,709,551	45,697,221	5,012,330	91,068,923	91,551,693	(482,770)
2004	10,965,043	14,824,658	(3,859,615)	49,191,812	42,485,568	6,706,244	90,802,701	88,609,131	2,193,570
2003	14,019,632	10,927,084	3,092,548	44,004,260	42,938,552	1,065,708	74,148,345	73,862,004	286,341
2002	16,823,607	10,412,272	6,411,335	42,404,199	43,700,672	(1,296,473)	59,047,778	60,031,473	(983,695)
Average	16,933,005	14,726,020	2,206,985	48,568,545	46,951,086	1,617,460	96,193,560	94,946,703	1,246,856
<b>Single Family Fund</b>				<b>Multifamily Fund</b>					
Fiscal Year	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets	Operating and Non-operating Revenues	Operating and Non-operating Expenses	Change in Net Assets			
2012	17,881,445	14,206,488	3,674,957	25,288,101	20,370,728	4,917,373			
2011	13,307,006	13,855,788	(548,782)	22,444,823	23,768,901	(1,324,078)			
2010	16,233,034	13,946,235	2,286,799	22,665,023	23,300,478	(635,455)			
2009	13,161,636	14,492,241	(1,330,605)	26,178,221	23,469,545	2,708,676			
2008	15,712,926	14,991,208	721,718	22,923,420	22,224,570	698,850			
2007	14,593,737	15,147,917	(554,180)	23,204,209	22,056,056	1,148,153			
2006	8,332,078	13,075,152	(4,743,074)	17,328,986	24,679,371	(7,350,385)			
2005	13,209,525	12,635,470	574,055	25,473,068	22,784,625	2,688,443			
2004	5,552,530	12,957,459	(7,404,929)	18,110,910	19,871,624	(1,760,714)			
2003	18,850,910	16,657,095	2,193,815	25,350,983	19,458,646	5,892,337			
2002	20,715,720	17,769,623	2,946,097	21,770,474	23,842,724	(2,072,250)			
Average	14,322,777	14,521,334	(198,557)	22,794,383	22,347,933	446,450			

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34



HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
LAST TEN YEARS ENDED JUNE, 30 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Operating Revenues:</b>											
Dwelling rental	58,531,965	57,304,024	51,602,384	50,338,236	47,207,730	44,708,879	45,050,127	48,423,150	47,249,298	45,927,853	45,626,585
Investment income	7,720,354	8,169,267	6,925,130	7,638,163	12,594,626	16,949,098	15,319,779	10,620,043	13,180,090	7,077,255	8,832,261
Unrealized gains (losses) on investments	9,190,260	(2,183,851)	3,848,207	3,110,604	390,768	(834,397)	(9,850,434)	7,766,629	(11,187,026)	9,755,942	1,223,382
Interest on mortgage and construction loans receivable	16,880,359	18,438,510	17,731,617	19,819,780	17,297,737	13,710,886	12,192,024	11,603,179	12,564,013	18,173,298	21,568,065
Management fees and other income	9,180,604	8,712,644	7,911,157	10,397,564	9,115,619	10,485,337	9,785,159	11,599,202	6,882,011	8,718,342	5,346,584
U.S. Department of Housing and Urban Development gains:											
Housing Assistance Payments (HAP)	77,868,323	78,529,266	75,384,843	69,038,665	68,098,758	65,497,448	64,550,179	65,636,655	60,454,965	47,318,424	34,923,904
HAP administrative fees	5,799,380	6,091,862	5,866,937	5,266,978	5,132,533	4,260,881	4,580,067	4,685,801	4,683,912	4,163,245	3,303,148
Other grants	11,249,981	10,889,692	11,254,618	10,500,329	8,777,422	7,950,894	6,976,369	6,780,137	7,302,864	6,687,547	7,097,873
State and County grants	10,831,271	10,069,139	10,629,223	9,422,158	10,333,157	9,147,060	6,881,222	7,084,539	7,555,629	7,779,100	6,968,039
<b>Total Operating revenues</b>	<b>207,252,497</b>	<b>196,020,553</b>	<b>191,154,116</b>	<b>185,532,477</b>	<b>178,948,350</b>	<b>171,876,086</b>	<b>155,484,492</b>	<b>174,199,335</b>	<b>148,685,756</b>	<b>155,601,006</b>	<b>134,889,841</b>
<b>Operating Expenses:</b>											
Housing Assistance Payments (HAP)	83,980,027	79,201,987	74,850,432	71,116,935	65,088,360	62,250,457	63,239,005	66,539,618	61,371,348	47,671,652	35,233,401
Administration	33,932,375	34,412,838	34,285,500	33,514,421	31,491,319	29,693,342	27,965,154	30,254,371	32,835,872	29,889,058	29,015,844
Maintenance	15,554,691	14,834,381	14,202,508	14,205,755	13,443,354	11,540,628	11,064,356	10,495,885	10,846,509	12,649,094	11,288,064
Depreciation and amortization	16,607,553	16,075,783	15,658,584	14,499,967	12,308,298	11,092,722	10,567,281	10,709,532	10,065,346	9,589,701	9,086,960
Utilities	6,180,231	6,804,381	6,001,107	5,629,351	5,381,832	5,244,849	5,231,525	4,944,260	4,059,732	3,371,986	3,246,185
Fringe Benefits	8,372,560	7,845,250	8,038,944	7,673,443	7,176,063	6,293,777	5,620,301	5,102,332	4,682,620	4,083,488	3,148,372
Interest expense	31,544,664	34,009,553	32,711,853	34,520,213	35,012,776	33,017,662	33,003,609	30,781,800	29,701,596	34,443,381	37,437,659
Other expenses	6,363,970	6,546,617	5,662,593	6,932,322	5,269,845	5,519,503	6,443,315	7,071,134	3,605,644	4,806,847	4,779,546
Bad debt Expense	784,371	361,871	436,581	379,192	634,021	269,722	250,235	181,126	203,948	209,544	221,268
Total Operating Expense	203,320,442	200,092,661	191,848,102	188,471,599	175,805,868	164,922,662	163,384,781	166,080,058	157,372,615	146,714,751	133,457,299
<b>Operating Income/(loss)</b>	<b>3,932,055</b>	<b>(4,072,108)</b>	<b>(693,986)</b>	<b>(2,939,122)</b>	<b>3,142,482</b>	<b>6,953,424</b>	<b>(7,900,289)</b>	<b>8,119,277</b>	<b>(8,686,859)</b>	<b>8,886,255</b>	<b>1,432,542</b>
<b>Nonoperating revenues (expenses):</b>											
Investment income	577,972	609,386	683,595	1,351,318	2,472,198	2,510,513	2,327,025	1,151,508	949,588	1,185,029	1,960,699
State and County grants	765,279	131,020	253,857	368,694	3,851	51,286	-	100,000	366,666	106,091	156,754
Unrealized losses on investments	-	-	-	-	-	-	(1,275)	(12,550)	(23,190)	(19,252)	14,170
Interest on mortgage and construction loans receivable	166,394	187,259	141,505	105,433	90,832	102,502	112,598	174,377	243,090	375,648	529,212
Interest expense	(115,534)	(138,314)	(73,480)	(142,965)	(247,225)	(214,060)	(186,428)	(103,156)	(188,613)	(320,342)	(478,489)
Other grants	41,229	37,219	38,146	39,698	31,034	40,689	41,099	40,601	-	34,200	99,443
Total nonoperating income	1,435,340	826,570	1,043,623	1,722,178	2,350,690	2,490,930	2,293,019	1,350,780	1,347,541	1,361,374	2,281,789
<b>Income/(loss) before contributions and transfers</b>	<b>5,367,395</b>	<b>(3,245,538)</b>	<b>349,637</b>	<b>(1,216,944)</b>	<b>5,493,172</b>	<b>9,444,354</b>	<b>(5,607,270)</b>	<b>9,470,057</b>	<b>(7,339,318)</b>	<b>10,247,629</b>	<b>3,714,331</b>
Capital contributions	1,181,515	3,283,006	3,749,082	1,607,686	1,457,956	3,692,041	3,008,994	1,172,636	3,047,653	2,283,120	1,290,683
Transfer of Component Unit Entities	-	736,869	-	(747,219)	4,801,834	-	-	486,489	-	-	-
Change in net assets	6,548,910	774,337	4,098,719	(356,477)	11,752,962	13,136,395	(2,598,276)	11,129,182	(4,291,665)	12,530,749	5,005,014

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
SIGNIFICANT OWN-SOURCE REVENUE  
LAST ELEVEN YEARS ENDED JUNE 30, 2012

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Fiscal Year	Tenant Revenue Total	% Total Operating Revenue
2012	\$ 58,531,965	28.24%
2011	57,304,024	29.23%
2010	51,602,384	27.00%
2009	50,338,236	27.13%
2008	47,207,730	26.38%
2007	44,708,879	26.01%
2006	45,050,127	28.97%
2005	48,423,150	27.80%
2004	47,249,298	31.76%
2003	45,927,853	29.52%
2002	45,626,585	33.83%
Average	49,270,021	29%
<i>Revenue Base Principal Payers</i>	<i>Opportunity Housing Fund and Public Housing Low and Moderate Income Residents</i>	

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**OPERATING REVENUES BY SOURCES**  
**LAST ELEVEN YEARS ENDED JUNE 30,2012**

Fiscal Year	Dwelling Rental		Investment Income		unrealized gains (losses) on Investment		Interest on mortgage and construction loans receivable	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
2002	45,626,585	33.83%	8,832,261	6.55%	1,223,382	0.91%	21,568,065	15.99%
2003	45,927,853	29.52%	7,077,255	4.55%	9,755,942	6.27%	18,173,298	11.68%
2004	47,249,298	31.78%	13,180,090	8.86%	(11,187,026)	-7.52%	12,564,013	8.45%
2005	48,423,150	27.80%	10,620,043	6.10%	7,766,629	4.46%	11,603,179	6.66%
2006	45,050,127	28.97%	15,319,779	9.85%	(9,850,434)	-6.34%	12,192,024	7.84%
2007	44,708,879	26.01%	16,949,098	9.86%	(834,397)	-0.49%	13,710,886	7.98%
2008	47,207,730	26.38%	12,594,626	7.04%	390,768	0.22%	17,297,737	9.67%
2009	50,338,236	27.13%	7,638,163	4.12%	3,110,604	1.68%	19,819,780	10.68%
2010	51,602,384	27.00%	6,925,130	3.62%	3,848,207	2.01%	17,731,617	9.28%
2011	57,304,024	29.23%	8,169,267	4.17%	(2,183,851)	-1.11%	18,438,510	9.41%
2012	58,531,965	28.24%	7,720,354	3.73%	9,190,260	4.43%	16,880,359	8.14%
Fiscal Year	Management fees and other income		Housing assistance payment subsidies		State and County grants		Total	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
2002	5,346,584	3.96%	45,324,925	33.60%	6,968,039	5.17%	134,889,841	100.00%
2003	8,718,342	5.60%	58,169,216	37.38%	7,779,100	5.00%	155,601,006	100.00%
2004	6,882,011	4.63%	72,441,741	48.72%	7,555,629	5.08%	148,685,756	100.00%
2005	11,599,202	6.66%	77,102,593	44.26%	7,084,539	4.07%	174,199,335	100.00%
2006	9,785,159	6.29%	76,106,615	48.95%	6,881,222	4.43%	155,484,492	100.00%
2007	10,485,337	6.10%	77,709,223	45.21%	9,147,060	5.32%	171,876,086	100.00%
2008	9,115,619	5.09%	82,008,713	45.83%	10,333,157	5.77%	178,948,350	100.00%
2009	10,397,564	5.60%	84,805,972	45.71%	9,422,158	5.08%	185,532,477	100.00%
2010	7,911,157	4.14%	92,506,398	48.39%	10,629,223	5.56%	191,154,116	100.00%
2011	8,712,644	4.44%	95,510,820	48.72%	10,069,139	5.14%	196,020,553	100.00%
2012	9,180,604	4.43%	94,917,684	45.80%	10,831,271	5.23%	207,252,497	100.00%

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**LONG-TERM DEBT**  
**LAST ELEVEN YEARS ENDED JUNE 30, 2012**

Fiscal Year	Bond Payable	Mortgage notes and loans payable	Loans payable to Montgomery County	Capitalized lease obligations	Other	Total	% Net Assets To Debt	\$ Total Debt per Capita	\$ Total Debt to personal income
2002	\$612,475,353	\$ 28,563,339	\$ 28,332,367	\$ 19,982,486	\$ 4,561,545	\$ 693,915,090	20.71%	\$ 770	1474%
2003	627,338,995	33,487,265	26,222,327	19,981,118	4,622,833	711,652,538	21.95%	783	1460%
2004	580,346,279	43,106,686	33,196,697	19,979,535	4,302,520	680,931,717	22.31%	746	1300%
2005	610,493,486	39,254,052	32,832,896	19,977,946	4,674,722	707,233,102	23.05%	770	1263%
2006	593,664,161	38,518,098	35,730,378	20,340,383	3,726,854	691,979,874	23.19%	742	1144%
2007	647,651,771	40,327,022	34,086,460	20,945,760	4,630,765	747,641,778	23.22%	803	1189%
2008	742,169,119	44,728,335	43,467,729	20,724,750	4,933,088	856,023,021	21.65%	900	1329%
2009	669,267,092	51,436,575	47,194,468	20,494,054	4,910,269	793,302,458	23.32%	816	1231%
(a) 2010	767,261,719	40,468,317	56,851,638	20,208,821	4,875,177	889,665,672	21.25%	916	N/A
(a) (b) 2011	736,693,760	43,872,243	62,794,974	20,724,651	4,380,786	868,466,414	21.88%	N/A	N/A
(a) (b) 2012	732,670,865	36,372,309	62,916,742	20,478,214	4,112,218	856,550,348	N/A	N/A	N/A

(a) Total Personal Income data not available for 2010, 2011 and 2012

(b) Population for Montgomery County not available for 2011 and 2012

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB Statement No. 34.

PROPERTY RELATED DEBT (As of June 30, 2012)

Property Name	Purpose	Amount Outstanding
<b><u>Intra-Commission mortgages made from bond issues</u></b>		
Alexander House	Mortgage	\$21,214,738
Chevy Chase Lake	Mortgage	\$7,404,430
Diamond Square	Mortgage	\$1,503,203
Fairfax Court	Mortgage	\$706,508
Magruder's Discovery	Mortgage	\$11,646,326
Montgomery Arms	Mortgage	\$8,949,321
MPDUs (59)	Mortgage	\$2,474,291
MPDUs (64)	Mortgage	\$2,040,856
Pomander Court	Mortgage	\$499,160
Pooks Hill High-rise	Mortgage	\$13,929,236
Pooks Hill Mid-rise	Mortgage	\$2,946,979
Sligo Hills	Mortgage	\$2,929,036
Strathmore Court	Mortgage	\$16,187,136
The Glen	Mortgage	\$5,888,237
The Metropolitan	Mortgage	\$27,101,758
The Oaks at Four Corners	Mortgage	\$2,577,051
Timberlawn Crescent	Mortgage	\$5,016,312
Barclay Development Corporation	Mortgage	\$9,456,876
Wheaton Metro Development Corporation	Mortgage	\$32,279,146
Greenhills	Mortgage	\$3,982,634
Paddington Square	Mortgage	\$5,397,116
Ambassador	Mortgage	\$2,171,790
	Subtotal	<u>\$186,302,140</u>
<b><u>Other Mortgages</u></b>		
Paddington Square	Mortgage	\$6,597,787
MHLP I	Mortgage	\$705,523
MHLP II	Mortgage	\$735,156
MHLP III	Mortgage	\$635,422
MHLP IV	Mortgage	\$985,448
MHLP V	Mortgage	\$1,033,904
MHLP VI	Mortgage	\$705,048
MPDU 2007	Mortgage	\$1,150,000
	Subtotal	<u>\$12,548,288</u>
<b><u>Other Loans/OHRF</u></b>		
Montgomery Arms	Rehab	\$1,340,037
Wheaton Metro Dev Corp.	Rehab	\$1,379,283
Paddington Square	Rehab	\$1,137,103
Paddington Square	Rehab	\$1,173,038
Scattered Site One	OHRF	\$0
Paint Branch	OHRF	\$75,264
Tanglewood	OHRF	\$80,106
	Total OHRF Loans	<u>\$5,184,831</u>
<b><u>Other Loans</u></b>		
CDBG McAlpine Road	Rehab	\$84,914
Barclay	Rehab	\$2,456,565
	Total Other Loans	<u>\$2,541,479</u>
	Total Other Loans/OHRF	<u>\$7,726,310</u>
<b><u>Notes Payable to State of Maryland</u></b>		
Diamond Square	RHPP	\$2,000,000
The Glen	RHPP	\$1,211,706
State Rental Consolidated	PHRP	\$8,795,567
State Rental VII	PHRP	\$4,712,863
Tanglewood	PHRP	\$70,000
Montgomery Arms	RHPP	\$124,053
Dale Drive	RHPP	\$600,000
Ambassador	RHPP	\$530,172
	Subtotal	<u>\$18,044,361</u>

Property Name	Purpose	Amount Outstanding
<b><u>Loans from Montgomery County Revolving Funds</u></b>		
Brook Farm	Interim Financing	\$174,540
Alexander House	Interim Financing	\$539,048
Holiday Park Townhouses	Interim Financing	\$1,218,756
Pooks Hill Land (Mid-rise)	Interim Financing	\$399,000
Ambassador	Interim Financing	\$1,558,816
MPDU 2004	Interim Financing	\$3,145,788
Tanglewood	Interim Financing	\$2,512,500
General Fund (Paddington Square)	Interim Financing	\$3,000,000
	Subtotal	<u>\$12,548,448</u>
<b><u>Notes Payable to Montgomery County Government</u></b>		
Alexander House	Construction	\$1,000,000
Chelsea Towers	Acquisition	\$1,733,229
Diamond Square	Acquisition	\$2,746,344
Pooks Hill High-rise	Rehab	\$400,000
McHome	Acquisition	\$2,005,645
Pooks Hill Mid-rise	Rehab	\$365,336
Sligo Hills	Operating Deficit	\$300,000
State Rental Consolidated	Acquisition	\$60,000
State Rental VII	Acquisition	\$1,668,050
Tanglewood	Rehab	\$43,535
The Glen	Home Funds	\$737,713
The Oaks at Four Corners	Acquisition	\$1,977,057
Timberlawn	Acquisition	\$1,000,000
Montgomery Arms	Rehab	\$1,699,307
Chevy Chase	Rehab	\$1,250,000
Paddington Square	Acquisition/Rehab	\$9,144,902
Dale Drive	Predevelopment	\$1,742,308
Aspen Court TP (7423,7425,7427)	Acquisition & Rehab	\$1,680,856
7419 Aspen Court (formerly 717 Sligo)	Acquisition & Rehab	\$1,287,320
7411 Aspen Court	Acquisition & Rehab	\$1,137,300
NSP Properties	Acquisition & Rehab	\$1,993,071
NCI Properties	Acquisition & Rehab	\$4,039,752
CDBG Properties	Acquisition & Rehab	\$604,274
CDBG McAlpine Road	Acquisition & Rehab	\$101,168
MPDU 2004	Acquisition	\$701,529
King Farm Village Center	Acquisition	\$2,219,816
Jubilee Housing- Hermitage	Acquisition	\$536,310
Jubilee Housing- Woodedge	Acquisition	\$112,349
Jubilee Housing- Falling Creek	Acquisition	\$105,807
Wheaton Metro Development Corporation	Acquisition	\$2,984,721
Ambassador	Acquisition & Rehab	\$725,250
Ambassador	Acquisition	\$2,000,000
Revolving County Closing Cost Program	Acquisition	\$2,265,343
	Subtotal	<u>\$50,368,292</u>
<b>TOTAL PROPERTY RELATED DEBT</b>		<u><u>\$287,537,839</u></u>

**Single Family Bonds - Debt Outstanding, Issued and Retired  
Fiscal Year Ended June 30, 2012**

Series	Date Issued	Authorized	Unissued	Outstanding		Issued		Retired		Refunded		Outstanding End of Year	Interest Expensed This Year	Current Maturities
				Beginning of Year	of Year	Prior Years	This Year	Prior Years	This Year	Prior Years	This Year			
:														
Single Family Bonds:														
1998 Series A - Accretions		28,794,435	-	28,794,435	28,794,438	1,562,113	-	1,774,015			28,582,533	1,562,111	-	
2001 Series A		17,590,000	-	1,015,000	17,590,000		16,575,000	140,000			875,000	43,409	415,000	
2002 Series A		13,200,000	-	2,125,000	13,200,000		11,075,000	220,000			1,905,000	83,504	310,000	
2002 Series B - Accretions		2,957,798	-	2,957,798	2,957,798	177,096	-				3,134,894	177,096	119,704	
2002 Series C		16,890,000	-	16,890,000	16,890,000		-				16,890,000	612,817	-	
2004 Series A		19,645,000	-	10,045,000	19,645,000		9,600,000	325,000			9,720,000	379,148	670,000	
2004 Series B		5,355,000	-	685,000	5,355,000		4,670,000	335,000			350,000	21,115	40,000	
2005 Series A		18,500,000	-	11,850,000	18,500,000		6,650,000	570,000			11,280,000	463,203	710,000	
2005 Series B		6,500,000	-	1,270,000	6,500,000		5,230,000	270,000			1,000,000	63,163	255,000	
2005 Series C		11,600,000	-	7,505,000	11,600,000		4,095,000	470,000			7,035,000	293,823	580,000	
2005 Series D		13,400,000	-	7,900,000	13,400,000		5,532,000	320,000			7,580,000	392,628	655,000	
2006 Series A		18,705,000	-	12,830,000	18,705,000		5,875,000	630,000			12,200,000	476,384	815,000	
2006 Series B		11,295,000	-	7,230,000	11,295,000		4,065,000	465,000			6,765,000	341,540	760,000	
2007 Series A		15,875,000	-	11,165,000	15,875,000		4,710,000	570,000			10,595,000	415,037	1,050,000	
2007 Series B		19,125,000	-	14,935,000	19,125,000		4,190,000	295,000			14,640,000	718,581	605,000	
2007 Series C		1,000,000	-	1,000,000	1,000,000		-	-			1,000,000	36,418	-	
2007 Series D		20,000,000	-	15,285,000	20,000,000		4,715,000	655,000			14,630,000	747,928	405,000	
2007 Series E		13,000,000	-	13,000,000	13,000,000		-	4,685,000			8,315,000	21,744	-	
2007 Series F		10,000,000	-	10,000,000	10,000,000		-	-			10,000,000	381,048	-	
2008 Series A		13,205,000	-	7,460,000	13,205,000		5,745,000	450,000			7,010,000	265,547	615,000	
2008 Series B		3,900,000	-	2,985,000	3,900,000		915,000	320,000			2,665,000	189,668	115,000	
2008 Series C		8,450,000	-	8,450,000	8,450,000		-	-			8,450,000	300,417	-	
2008 Series D		17,200,000	-	17,200,000	17,200,000		-	-			17,200,000	35,775	-	
2009 Series A		20,000,000	-	18,850,000	20,000,000		1,150,000	400,000			18,450,000	784,272	825,000	
NIBP 2009 Series A		10,000,000	-	9,665,000	10,000,000		335,000	175,000			9,490,000	325,745	630,000	
NIBP 2009 Series B		15,000,000	-	14,980,000	15,000,000		-	-			14,980,000	593,208	200,000	
NIBP 2009 Series C		40,000,000	-	31,000,000	40,000,000		9,000,000	18,620,000			12,380,000	17,608	12,380,000	
NIBP 2009 Series C-1		9,000,000	-	9,000,000	9,000,000		-	-			9,000,000	284,400	120,000	
NIBP 2010 Series A		6,000,000	-	6,000,000	6,000,000		-	280,000			5,720,000	182,116	380,000	
NIBP 2011 Series A		-	-	-	-	12,425,000	-	-			12,425,000	292,056	835,000	
NIBP 2009 Series C-2		-	-	-	-	16,170,000	-	-			16,170,000	232,655	240,000	
NIBP 2009 Series C-3		-	-	-	-	2,450,000	-	-			2,450,000	35,251	30,000	
SUB-TOTAL		406,187,236	-	302,072,234	406,187,236	32,784,207	104,127,000	31,969,014	-	-	302,887,428	10,769,412	23,759,704	
Less: Unamortized discount				2,224,593		-				(584,505)	2,809,099	45,046		
Total Single Family Bonds Payable		406,187,236	-	304,296,827	406,187,236	32,784,209	104,127,000	31,969,015	-	(584,505)	305,696,527	10,814,458	23,759,704	

**Multifamily Fund - Debt Outstanding, Issued and Retired**  
**Fiscal Year Ended June 30, 2012**

Series	Date Issued	Authorized (a)	Unissued (b)	Outstanding Beginning of Year (c)	Issued		Retired		Refunded		Outstanding End of Year (h)	Interest Expensed This Year (i)	Current Maturities
					Prior Years (d)	This Year (e)	Prior Years (f)	This Year (g)	Prior Years	This Year			
2009 Issue A		32,295,000		32,295,000	32,295,000	-				32,295,000.00	-	1,021,975	-
1998 Issue A		12,900,000	-	9,825,000	12,900,000		3,075,000	355,000			9,470,000	472,568	370,000
2002 Series A		22,325,000	-	21,090,000	22,325,000		1,235,000	480,000			20,610,000	1,148,710	505,000
2002 Series C		12,965,000	-	12,965,000	12,965,000	-					12,965,000	19,228	-
2008 Series A		13,355,000	-	13,355,000	13,355,000	-					13,355,000	20,006	-
1992 Series C		4,425,000	-	2,465,000	4,425,000		1,960,000	120,000			2,345,000	167,603	130,000
1995 Series A		23,910,000	-	2,745,000	23,910,000		21,165,000	145,000			2,600,000	155,615	155,000
1996 Series A		3,625,000	-	2,645,000	3,625,000		980,000	100,000			2,545,000	158,300	110,000
1984 Series A - Accretions		585,000	-	113,279	113,279	13,104					126,383	13,104	14,619
1998 Series A		11,935,000	-	9,525,000	11,935,000		2,410,000	280,000			9,245,000	476,483	295,000
1998 Series B		18,905,000	-	13,920,000	18,905,000		4,985,000	585,000			13,335,000	694,750	610,000
2000 Series A		19,465,000	-	16,140,000	19,465,000		3,325,000	440,000		15,700,000.00	-	811,816	-
2000 Series B		28,600,000	-	23,820,000	28,600,000		4,780,000	670,000		3,775,000	19,375,000	1,212,585	700,000
2001 Series A		8,240,000	-	7,630,000	8,240,000		610,000	90,000		7,540,000	-	52,062	-
2002 Series A		8,330,000	-	7,180,000	8,330,000	-	1,150,000	185,000			6,995,000	331,273	190,000
2002 Series B		31,465,000	-	28,760,000	31,465,000	-	2,705,000	490,000			28,270,000	1,432,580	480,000
2003 Series A		20,265,000	-	17,390,000	20,265,000		2,875,000	445,000			16,945,000	734,595	460,000
2003 Series B		17,840,000	-	17,025,000	17,840,000		815,000	210,000			16,815,000	778,063	215,000
2007 Series A		19,055,000	-	18,040,000	19,055,000		1,015,000	365,000			17,675,000	797,926	375,000
2007 Series B-1		22,085,000	-	22,085,000	22,085,000	-		530,000			21,555,000	935,916	535,000
2007 Series B-2		3,020,000	-	3,020,000	3,020,000	-		75,000			2,945,000	6,405	80,000
2007 Series C-1		5,110,000	-	5,110,000	5,110,000	-		230,000			4,880,000	176,645	240,000
2007 Series C-2		2,190,000	-	2,190,000	2,190,000	-		95,000			2,095,000	4,577	100,000
2004 Series A		13,700,000	-	12,935,000	13,700,000	-	765,000	265,000			12,670,000	566,073	270,000
2004 Series B		4,085,000	-	3,865,000	4,085,000	-	220,000	45,000			3,820,000	181,632	45,000
2004 Series C		19,460,000	-	17,705,000	19,460,000	-	1,755,000	430,000		-	17,275,000	599,084	445,000
2004 Series D		14,110,000	-	12,855,000	14,110,000	-	1,255,000	305,000		-	12,550,000	437,160	320,000
2005 Series B		5,440,000	-	5,440,000	5,440,000	-		160,000			5,280,000	218,430	160,000
2005 Series C		28,630,000	-	28,630,000	28,630,000	-		690,000			27,940,000	1,213,316	690,000
2009 Series A-1		38,450,000	-	38,450,000	38,450,000	-					38,450,000	1,507,240	-
2009 Series A-2		8,040,000	-	8,040,000	8,040,000	-					8,040,000	315,168	-
2010 Series A		4,860,000	-	4,860,000	4,860,000	-					4,860,000	174,628	140,000
2010 Series A		12,375,000	-	12,375,000	12,375,000	-					12,375,000	497,686	245,000
2011 Series A		33,585,000	-	-	-	33,585,000					33,585,000	618,466	365,000
2011 Series B		3,020,000	-	-	-	3,020,000					3,020,000	88,581	30,000
2012 Series A		24,935,000	-	-	-	24,935,000					24,935,000	104,182	445,000
SUB-TOTAL		553,580,000	-	434,488,279	491,568,279	61,553,104	57,080,000	7,785,000	-	-	59,310,000	18,144,427	8,719,619
Less: Unamortized discount				(2,091,346)				(119,301)			-	(1,972,045)	
Total Multifamily Bonds Payable		553,580,000	-	432,396,933	491,568,279	61,553,104	57,080,000	7,665,699	-	-	59,310,000	18,144,429	8,719,619

**MULTIFAMILY HOUSING BONDS (AS OF June, 30, 2012)**

Bond Series	Current Property Name	Owner	Final Maturity	Original Bond Issued	Amount Outstanding
Non-Obligation Bond Issues:					
<u>Multifamily Housing Revenue Bonds</u>					
2010 Issue A	Wynnfield	Private	5/1/2026	\$ 31,680,000	\$ 31,680,000
2010 Issue B	Oak Mill II	Private	5/1/2026	9,600,000	9,600,000
2003 Issue A	Randolph Manor	Private	8/1/2045	5,500,000	5,260,983
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,718,549
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	2,051,962
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,515,896
2005 Issue I	Oakfield	Private	10/15/2039	38,000,000	38,000,000
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,280,799
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	6,600,000
<u>Multifamily Housing Revenue Refunding Bonds</u>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<u>Variable Housing Revenue Bonds</u>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	24,695,000	24,695,000
1997 Issue I	The Grand	Private	6/1/2030	57,000,000	-
1998 Issue I	Byron Housing	Private	9/1/2023	2,319,000	1,559,000
TOTAL				\$ 251,312,000	\$ 191,962,190



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
NUMBER OF UNITS BY PROGRAM  
LAST ELEVEN YEARS ENDED 6/30/2012**

<u>Fiscal Year</u>	<u>Public Housing Rental</u>	<u>Public Housing Homeownership</u>	<u>Housing Choice Voucher</u>	<u>Opportunity Housing</u>	<u>Transitional Housing</u>	<u>Specialized Program</u>	<u>Component Units</u>	<u>Total</u>
2002	1,547	16	4,874	3,041	158	315	1,283	11,234
2003	1,545	12	5,751	5,056	158	330	1,283	14,135
2004	1,545	12	5,804	3,088	158	330	1,251	12,188
2005	1,537	11	5,692	3,047	151	355	1,491	12,284
2006	1,539	11	5,436	2,842	151	405	1,653	12,037
2007	1,539	11	5,674	2,853	165	402	1,653	12,297
2008	1,544	11	5,754	3,049	165	430	1,621	12,574
2009	1,543	11	5,793	3,225	165	591	1,659	12,987
2010	1,546	10	5,926	3,249	165	614	1,659	13,169
2011	1,546	9	6,306	3,495	165	566	1,455	13,542
2012	1,554	9	6,457	3,496	165	566	1,760	14,007

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**Property Characteristics and Dwelling Unit Composition**  
**June 30,2012**

<b>Public Housing</b>			
Name of development	Address	Number of	units
<b>Elderly Communities</b>			
Arcola Towers	1135 University Boulevard, Silver Spring MD 20902		141
Elizabeth House	1400 Fenwick Avenue, Silver Spring, MD 20910		160
Holly Hall Apartments	10110 New Hampshire Avenue, Silver Spring, MD 20903		96
Waverly House	4521 East West Highway, Bethesda, MD 20814		158
	<i>Total Elderly Communities</i>		555
<b>Family Communities</b>			
Emory Grove Village	8211 Morning view Drive, Gaithersburg, MD 20877		54
Sandy Spring	1 Branchwood Court, Sandy Spring, MD 20860		55
Seneca Ridge	11400 Scenery Drive, Germantown, MD 20876		71
Tobytown	90 Monroe Street, Rockville, MD 20832		8
Towne Center Place	3502 Morningwood Drive, Olney, MD 20832		49
Washington Square	8343 Fairhaven Drive, Gaithersburg, MD 20877		50
	<i>Total Family Communities</i>		287
<b>Scattered Units</b>			
Scattered Site Central	Various address spread throughout Montgomery County		130
Scattered Site East	Various address spread throughout Montgomery County		110
Scattered Site Gaithersburg	Various address spread throughout Montgomery County		140
Scattered Site North	Various address spread throughout Montgomery County		139
Scattered Site West	Various address spread throughout Montgomery County		150
Ken Gar	Various address spread throughout Montgomery County		19
Parkway Woods	Various address spread throughout Montgomery County		24
	<i>Total units - Scattered units</i>		712
	<i>Total units - Scattered units</i>		1,554

<b>Housing Choice Voucher/Transitional Housing</b>			
Name of Development	Address	Number of	units
Housing Choice Vouchers	Various		6,457
Transitional Housing Programs	Various		165
Specialized Program	Various		566
	<i>Total units - Housing Choice Voucher/Transitional housing</i>		7,188

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**Property Characteristics and Dwelling Unit Composition**  
**June 30,2012**

<b>Opportunity Housing</b>			
Name of development	Address	Number of	units
<b>Elderly Communities</b>			
The Oaks @ Four Corners	321 University Boulevard, West, Silver Spring, MD 20901		120
	<i>Total Elderly Communities</i>		120
<b>Family Communities</b>			
Tanglewood	8902 Manchester Road, Silver Spring, MD 20901		83
Magruder's Discovery	10508 Westlake Drive, Bethesda, MD 20817		134
Chelsea Towers	7401 Westlake Terrance, Bethesda, MD 20817		21
Dale Drive	527 Dale Drive, Silver Spring, Maryland 20910		10
Sligo Hills	8902 Manchester Road, Silver Spring, MD 20901		50
Pomander Court	1620 University Boulevard West, Silver Spring, MD 20802		24
Paddington Square	8800 Lanier Drive, Silver Spring MD 20910		165
Fairfax Court Apts	1 Fairfax Court, Chevy Chase, MD 20815		18
Pooks Hill High-rise	3 Pooks Hill Road, Bethesda, MD 20814		189
Pooks Hill Mid-rise	3 Pooks Hill Road, Bethesda, MD 20814		50
Greenhills	10572 Tralee Terrace, Damascus, MD 20872		78
Strathmore Court @ White Flint	5440 Marinelli Drive, North Bethesda, MD 20852		151
Westwood Towers	5401 Westbard Avenue, Bethesda, MD 20816		212
The Glen	2399 Jones Lane, Wheaton, MD 20902		90
Diamond Square	80 Bureau Drive, Gaithersburg, MD 20878		124
Alexander House	8560 Second Avenue, Silver Spring, MD 20910		311
The Metropolitan	7600 Old Georgetown Road, Bethesda, MD 20810		216
Timberlawn	5707 Luxumburg Street, Rockville, MD 20852		107
Montgomery Arms	8627 Fenton Street, Silver Spring, MD 20910		129
Chevy Chase Lake	3719 Chevy Chase lake, Chevy Chase, MD 20815		68
The Barclay	4716 Bradley Boulevard, Chevy Chase, MD 20815		76
MetroPointe	11175 Georgia Avenue, Silver Spring, MD 20902		120
7411 Aspen Court	7411 Aspen Court, Tacoma Park, MD 20912		11
7423 Aspen Court	7423 Aspen Court, Tacoma Park, MD 20912		16
717 Sligo Creek Parkway	717 Sligo Creek Parkway, Tacoma Park, MD 20912		12
Jubilee Housing	2305 Hermitage Avenue, Silver Spring, Maryland 20902		3
Ambassador One Assoc. LP	2715 University Boulevard, Silver Spring, MD 20902		162
	<i>Total Family Communities</i>		2,630
<b>Scattered Units</b>			
McHome	Various address spread throughout Montgomery County		38
Holiday Park	Various address spread throughout Montgomery County		20
Montgomery Homes Limited Partnership I	Various address spread throughout Montgomery County		29
Montgomery Homes Limited Partnership II	Various address spread throughout Montgomery County		54
Montgomery Homes Limited Partnership III	Various address spread throughout Montgomery County		44
Montgomery Homes Limited Partnership IV	Various address spread throughout Montgomery County		60
Montgomery Homes Limited Partnership V	Various address spread throughout Montgomery County		27
Montgomery Homes Limited Partnership VI-A	Various address spread throughout Montgomery County		15
Paint Branch	Various address spread throughout Montgomery County		14
McKendree	Various address spread throughout Montgomery County		23
MPDU I	Various address spread throughout Montgomery County		64
State Rental Combined	Various address spread throughout Montgomery County		196
MPDU III	Various address spread throughout Montgomery County		23
MPDU II	Various address spread throughout Montgomery County		59
CDBG Units	Various address spread throughout Montgomery County		2
NSP Units	Various address spread throughout Montgomery County		6
NCI Units	Various address spread throughout Montgomery County		15
MPDU 2007	Various address spread throughout Montgomery County		19
MPDU 2004	Various address spread throughout Montgomery County		38
	<i>Total units - Scattered units</i>		746
	<i>Total units - Opportunity Housing</i>		3,496

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
Property Characteristics and Dwelling Unit Composition  
June 30,2012

<b>Component Units</b>		
Name of development	Address	Number of units
<b>Elderly Communities</b>		
Bauer Park	14635 Bauer Park Drive, Rockville, MD 20853	142
Town Center Apts.	90 Monroe Street, Rockville, MD 20850	112
	<i>Total Elderly Communities</i>	254
<b>Family Communities</b>		
Manchester Manor Apartments, LP	8401 Manchester Road, Silver Spring , MD 20901	53
MetroPoint, LP	1175 Georgia Avenue, Silver Spring, MD 20902	53
Camp Hill	17825 Laytonsville RD, Gaithersburg, MD 20877	51
Strathmore Court, LP	5440 Marinelli Drive, North Bethesda, MD 20852	51
The Metropolitan of Bethesda, LP	7600 Old Georgetown Road, Bethesda, MD 20814	92
Shady Grove Apartments, LP	16525 Crabbs Branch Way, Derwood, MD 2055	144
The Willows of Gaithersburg Associate, LP	407 West Diamond Avenue, Gaithersburg, MD 2077	195
MV Affordable Housing Associates	9310 Merust Lane, Gaithersburg, MD 20874	94
Georgian Court, Silver Spring LP	3600 Bel Pre Road, Silver Spring, MD 20906	147
Barclay One Associate LP	4716 Bradley Boulevard, Chevy Chase, MD 20815	81
Spring Garden One Associates LP	8007A Eastern Avenue, Silver Spring, MD 20910	83
Hampden Lane LP	4912 Hampden Lane, Bethesda, MD 20814	12
Forest Oak Towers LP	101 Odenhal Road, Gaithersburg, MD 20877	175
	<i>Total Family Communities</i>	1,231
<b>Scattered Units</b>		
Montgomery Homes Limited Partnership VII	Various address spread throughout Montgomery County	35
Montgomery Homes Limited Partnership VIII	Various address spread throughout Montgomery County	49
Montgomery Homes Limited Partnership IX - Pond Ridge	Various address spread throughout Montgomery County	40
Montgomery Homes Limited Partnership IX - MPDU units	Various address spread throughout Montgomery County	76
Montgomery Homes Limited Partnership X	Various address spread throughout Montgomery County	75
	<i>Total units - Scattered units</i>	275
	<i>Total units - Component units</i>	1,760
		1,760

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
REGULAR STAFF HEADCOUNT BY DEPARTMENT  
LAST ELEVEN YEARS ENDED 6/30/2012**

Fiscal Year	Executive	Finance	Housing Management	Housing Resources	Mortgage Finance	Real Estate	Rental Assistance	Resident Services	Total
2002	39.20	44.10	120.70	-	10.50	8.00	46.25	67.55	336.30
2003	36.70	44.10	121.35	-	10.50	9.00	58.75	71.55	351.95
2004	38.70	42.10	120.35	-	11.50	10.00	47.75	75.40	345.80
2005	38.70	44.10	126.35	-	13.50	10.00	41.00	76.90	350.55
2006	38.60	43.00	124.35	-	13.50	10.00	40.00	77.40	346.85
2007	41.00	42.00	125.35	-	13.50	12.00	42.00	80.50	356.35
2008	40.00	42.00	126.60	53.60	14.50	10.00	42.00	84.60	413.30
2009	* 49.50	42.00	128.60	49.60	14.50	8.00	-	80.60	372.80
2010	40.00	43.00	138.60	45.50	14.50	6.00	-	90.20	377.80
2011	40.00	43.00	139.10	50.00	14.50	6.00	-	92.20	384.80
2012	41.00	42.00	139.10	50.00	14.50	6.00	-	91.20	383.80

Note: Staff headcount is expressed in terms of full-time equivalent work years.

\* Rental Assistance Division was dissolved in FY 2008 - 2009 with staff reallocated to Executive and Housing Resources.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**Demographics & Economic Statistics**  
**Last Ten Years Ended December 31, 2011**  
**Montgomery County, MD**

Year	Population (1)	Median	Households (1)	Per Capital Income	Per Capital Income	Civilian Labor Force		Employment		Unemployment		Total Personal Income
		Age (1)		(current dollars) (1)	(constant 2005\$) (2)	Number (2)	% of Pop 16+	Number (1)	% of Pop 16+	Number (1)	DLLR Rate (1)	
2002	900,706	37.1	334,069	\$ 51,991	\$ 50,212	500,729	71.7%	475,441	68.1%	25,288	3.3	\$ 47,069,098
2003	909,411	38.0	336,613	\$ 53,262	\$ 56,289	494,030	70.2%	470,157	69.9%	23,873	3.2	\$ 48,728,619
2004	912,279	38.0	337,838	\$ 56,889	\$ 58,589	499,000	71.0%	475,522	67.7%	23,478	3.1	\$ 52,392,771
2005	918,046	38.3	344,038	\$ 60,303	\$ 60,303	505,157	70.6%	479,077	67.5%	22,308	2.8	\$ 56,016,278
2006	932,131	38.4	341,438	\$ 64,665	\$ 62,937	515,757	70.7%	495,236	67.8%	20,521	2.7	\$ 60,472,607
2007	930,813	38.9	343,540	\$ 66,811	\$ 63,327	521,226	71.3%	500,870	68.6%	20,356	3.0	\$ 62,901,647
2008	950,680	39.0	341,812	\$ 67,531	\$ 61,937	546,489	73.0%	520,287	69.5%	16,400	3.2	\$ 64,403,687
2009	971,600	38.2	345,301	\$ 66,323	Not Available	549,530	72.3%	514,836	67.7%	27,360	5.3	\$ 64,438,944
2010	971,777	38.5	357,086	\$ 68,946	Not Available	567,747	73.8%	523,897	68.1%	28,834	5.6	Not Available
2011	979,551	36.8	377,575	\$ 70,665	Not Available	575,995	Not Available	492,199	Not Available	27,100	5.2	Not Available

(1) Population and employment data from the American Community Survey series, U.S. Census Bureau.

(2) Per capita income data prepared by the Maryland Department of Planning, Planning Data Service, from U.S. BEA, May 2008.

(3) Unemployment rate from Civilian Labor Force, Employment & Unemployment by Place of Residence (LAUS) - Montgomery County; Department of Labor, Licensing and Regulation (DLLR)

(4) Per capita income for 2010 not yet released

Data table compiled by Research & Technology Center, Montgomery County Planning Department, M-NCPPC (12/08 v2).

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
 PERMITS ISSUED TO CONSTRUCT NEW RESIDENTIAL UNITS IN MONTGOMERY COUNTY, MD  
 LAST TEN YEARS ENDED DECEMBER 31, 2011**

<b>Year</b>	<b>Permits Issued</b>	<b>Construction Cost</b>
2002	4,653	\$ 502,978,600
2003	4,428	\$ 440,212,306
2004	3,821	\$ 561,183,552
2005	3,591	\$ 717,384,014
2006	3,031	\$ 574,209,600
2007	3,459	\$ 664,048,150
2008	1,476	\$ 336,061,807
2009	862	\$ 244,499,105
2010	1,899	\$ 343,321,569
2011	2,512	\$ 434,450,024

Source: U.S. Bureau of the Census

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY  
MONTGOMERY COUNTY TOP TEN EMPLOYERS  
AS OF JUNE 30, 2012**

<b>Employer</b>	<b>Fiscal Year 2012</b>			<b>Fiscal Year 2003</b>		
	<b>Employees (1)</b>	<b>Rank</b>	<b>Percentage of Total County Employees (2)</b>	<b>Employees (1)</b>	<b>Rank</b>	<b>Percentage of Total County Employees (2)</b>
U.S. Department of Health and Human Services	26,460	1	5.63%	29,700	1	6.39%
Montgomery County Public Schools	24,000	2	5.11%	22,556	2	4.85%
U.S. Department of Defense	12,020	3	2.56%	12,690	3	2.73%
Montgomery County Government	10,000	4	2.13%	11,309	4	2.43%
U.S. Department of Commerce	7,369	5	1.57%	8,250	5	1.77%
Adventist Healthcare	5,900	6	1.26%	6,600	6	1.42%
Marriott International, Inc (Headquarters)	5,497	7	1.17%	5,025	7	1.08%
Lockheed Martin	5,200	8	1.11%	4,741	8	1.02%
Verizon	3,571	9	0.76%	*		
Montgomery College	3,500	10	0.75%	3,061	10	0.66%
Giant Food Corporation	-			4,377	9	0.94%
	<u>103,517</u>		<u>22.05%</u>	<u>108,309</u>		<u>23.29%</u>

\*Employer is not one of the ten largest employers during the year noted.

Source: Montgomery County Department of Economic Development



Income Source	# Mbrs
Business	88
Child Support	387
Federal Wage	1
General Assistance	357
Indian	0
Medical Reimburse	0
Military	1
Other Non-Wage Income	211
Other Wages	922
Pension	125
PHA Wage	0
Social Security	522
SSI	527
TANF	46
Unemployment	81

Average Length of Stay for <b>Current</b> Tenants (in Years)	<b>8</b>
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Gender	Female	Male	Total
Count of Head of Household	1,174	318	1,492
% of Head of Households	78.69%	21.31%	
Count of All Family Members	2,425	1,473	3,898
% of All Family Members	62.21%	37.79%	

Disabled	
Count of Head of Household	251
Count of All Family Members	336

Public Housing Statistics  
All Properties  
As of 06/30/2012

Seniors	Under 62	62 +
Count of HOH	873	619
% of HOH	59.39%	42.11%
Count All Members	3,114	784
% All Members	79.89%	20.11%

Income Ranges	Under \$5,000	\$5,000 - \$9,999	\$10,000 - \$14,999	\$15,000 - \$19,999	\$20,000 - \$24,999	\$25,000 - \$29,999	\$30,000 - \$34,999	\$35,000 - \$39,999	\$40,000 - \$44,999	\$45,000 - \$49,999	\$50,000 - \$75,000	Over \$75,000	Totals				
Count of Head of Household	176	421	244	158	103	86	71	73	40	41	64	15	1,492				
Average Income in Range	\$ 1,824	\$ 8,015	\$ 12,485	\$17,237	\$ 22,496	\$27,411	\$ 32,591	\$ 36,902	\$41,470	\$ 46,428	\$56,403	\$ 89,873	\$18,746				
Cumulative % of Households	11.80%	40.01%	56.37%	66.96%	73.86%	79.62%	84.38%	89.28%	91.96%	94.71%	98.99%	100.00%					
Age Ranges	0-5	6-13	14-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-89	90 +	Totals				
Count of Head of Household	0	0	0	3	88	256	271	255	120	289	184	26	1,492				
Count of All Family Members	260	848	347	258	391	341	345	324	175	362	218	29	3,898				
Race	American Indian	Asian	Black	Pacific Islander	White	Not Reported	Total						Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
Count of Head of Household	4	222	852	4	410	0	1,492						HOH	227	1265	0	1,492
% of Head of Household	0.27%	14.88%	57.10%	0.27%	27.48%	0.00%	100%						% HOH	15.21%	84.79%	0.00%	100%
Count of All Family Members	10	420	2491	12	930	35	3,898						Fam Mbrs	652	3183	63	3,898
% of All Family Members	0.26%	10.77%	63.90%	0.31%	23.86%	0.90%	100%						% FM	16.73%	81.66%	1.62%	100%
Family Size by Bedroom Size	# of PH Units	Occupied Units	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8+ People	Average Family Size						
Efficiency	43	41	41	0	0	0	0	0	0	0	1.0 Person						
1 Bedroom	498	491	388	103	0	0	0	0	0	0	1.2 People						
2 Bedrooms	305	291	58	140	80	13	0	0	0	0	2.2 People						
3 Bedrooms	583	546	35	52	151	175	105	27	1	0	3.6 People						
4 Bedrooms	122	120	1	7	10	19	31	27	14	11	5.2 People						
5 Bedrooms	3	3	0	0	0	0	0	2	1	0	6.3 People						
<b>Total # of PH Units</b>	<b>1554</b>	<b>1492</b>	<b>523</b>	<b>302</b>	<b>241</b>	<b>207</b>	<b>136</b>	<b>56</b>	<b>16</b>	<b>11</b>	<b>2.6 People</b>						

Note: Total number of Occupied Units excludes Employee Units and Law Enforcement Units.

Income Source	# of Households
Business	N/A
Child Support	N/A
Federal Wage	N/A
General Assistance	N/A
Indian	N/A
Medical Reimburse	N/A
Military	N/A
No Income Reported	N/A
Other Non-Wage Income	N/A
Pension	N/A
Social Security	N/A
SSI	N/A
TANF	N/A
Unemployment	N/A
Wages	N/A

Gender	Male	Female	Total
Count of Head of Household	1,167	5,072	6,239
% of Head of Households	18.70%	81.30%	
Count of All Family Members	5,633	9,790	15,423
% of All Family Members	36.52%	63.48%	

Disabled	
Count of Head of Household	1988
Count of All Family Members	536

Housing Choice Voucher  
Statistics  
As of 11/20/2012

Seniors	Under 62	62 +
Count of HOH	4,948	1,291
% of HOH	79.31%	20.69%
Count All Members	13,899	1,524
% All Members	90.12%	9.88%

Income Ranges	Under \$5,000	\$5,000 - \$9,999	\$10,000 - \$14,999	\$15,000 - \$19,999	\$20,000 - \$24,999	\$25,000 - \$29,999	\$30,000 - \$34,999	\$35,000 - \$40,000	Over \$40,000	Totals
# of Families	922	1,715	1,060	739	503	365	315	223	397	6,239
Average Income in Range	\$ 1,922	\$ 8,100	\$12,393	\$17,309	\$ 22,418	\$27,350	\$ 32,642	\$ 37,229	\$49,860	\$ 16,225
Cumulative % of Families	14.78%	42.27%	59.26%	71.10%	79.16%	85.01%	90.06%	93.64%	100.00%	

Age Ranges	0-5	6-12	13-17	18-20	21-29	30-39	40-49	50-61	62-69	70-79	80-99	100+	Totals
Count of Head of Household	0	0	0	6	563	1,438	1,435	1,506	557	405	325	4	6,239
Count of All Family Members	1,668	2,586	1,988	1,359	1,318	1,668	1,609	1,703	639	502	379	4	15,423

Race	White	Black	American Indian	Asian	Pacific Islander	Multiple	Unknown	Ethnicity	Hispanic	Non-Hispanic	Not Reported
Count of Head of Household	1,654	4,226	45	293	8	13	0		724	5,515	0
% of Head of Household	28.95%	73.96%	0.79%	5.13%	0.14%	0.23%	0.00%		12.67%	96.52%	0.00%
Count of All Family Members	3,191	11,366	91	568	18	51	138		1,782	13,390	251
% of All Family Members	22.16%	78.92%	0.63%	3.94%	0.12%	0.35%	0.96%		12.37%	92.97%	1.74%

Family Size by Bedroom Size	# of HCV Units	Occupied Units	1 Person	2 People	3 People	4 People	5 People	6 People	7 People	8+ People	Average Family Size
Efficiency	0	161	112	18	15	8	4	2	0	2	1.7 Person
1 Bedroom	0	1,765	1,624	137	3	0	1	0	0	0	1.1 Person
2 Bedrooms	0	2,255	496	1075	540	114	27	3	0	0	2.2 Person
3 Bedrooms	0	1,628	53	201	438	577	277	70	7	5	3.7 Person
4 Bedrooms	0	359	5	9	40	58	86	104	35	22	5.2 Person
5 Bedrooms	0	63	0	1	2	3	8	10	9	30	6.7 Person
6 Bedrooms	0	8	0	0	0	0	0	0	2	6	7.8 Person
<b>Total # of HCV Units</b>	<b>0</b>	<b>6239</b>	<b>2290</b>	<b>1441</b>	<b>1038</b>	<b>760</b>	<b>403</b>	<b>189</b>	<b>53</b>	<b>65</b>	<b>2.5 Person</b>

Note: The data contains only eleven months activities,