

Magruder's Discovery Development Corporation

Financial Statements

**For the Years Ended
June 30, 2018 and 2017**

Magruder's Discovery Development Corporation

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For the Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Commissioners
Magruder's Discovery Development Corporation
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Magruder's Discovery Development Corporation, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magruder's Discovery Development Corporation as of June 30, 2018 and 2017 and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hertzbach & Company, P.A.

Owings Mills, Maryland
January 3, 2019

Magruder's Discovery Development Corporation

Statements of Financial Position
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 400	\$ 400
Interfund receivable	159,396	514,129
Accounts receivable and other assets	<u>174,825</u>	<u>88,804</u>
Total unrestricted current assets	<u>334,621</u>	<u>603,333</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	471,208	456,825
Tenants' security deposits	<u>70,479</u>	<u>68,083</u>
Total restricted cash and cash equivalents for current liabilities	<u>541,687</u>	<u>524,908</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	<u>5,754,267</u>	<u>6,154,508</u>
Deferred charges		
Negative arbitrage	<u>149,208</u>	<u>155,700</u>
Total assets	<u>\$ 6,779,783</u>	<u>\$ 7,438,449</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Financial Position
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 79,328	\$ 68,575
Accrued interest payable	56,122	57,161
Mortgage payable - current	<u>207,599</u>	<u>194,762</u>
Total current liabilities	<u>343,049</u>	<u>320,498</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>69,778</u>	<u>68,230</u>
Total current liabilities payable from restricted assets	<u>69,778</u>	<u>68,230</u>
Long-term liabilities		
First mortgage, net of current maturities, unamortized financing fees of \$193,333 - 2018 and \$201,738 - 2017	<u>10,121,922</u>	<u>10,321,116</u>
Total long-term liabilities	<u>10,121,922</u>	<u>10,321,116</u>
Total liabilities	<u>10,534,749</u>	<u>10,709,844</u>
Net assets (deficit)		
Investment in capital assets, net of related debt	(4,768,587)	(4,563,108)
Restricted net assets	471,909	456,678
Unrestricted net assets	<u>541,712</u>	<u>835,035</u>
Total net assets (deficit)	<u>(3,754,966)</u>	<u>(3,271,395)</u>
Total liabilities and net assets (deficit)	<u>\$ 6,779,783</u>	<u>\$ 7,438,449</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Activities

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues		
Dwelling rental income	\$ 2,304,589	\$ 2,242,189
Other income	130,971	5,499
Total operating revenues	<u>2,435,560</u>	<u>2,247,688</u>
Operating expenses		
Administrative	255,045	230,290
Operating and maintenance	277,247	219,029
Depreciation	400,240	417,549
Utilities	125,620	91,803
Fringe benefits	328,024	110,084
Interest expense	694,140	706,247
Other	838,189	721,283
Bad debt expense	-	685
Total operating expenses	<u>2,918,505</u>	<u>2,496,970</u>
Operating loss	<u>(482,945)</u>	<u>(249,282)</u>
Nonoperating revenue (expenses)		
Interest revenue (expense)	(626)	715
Total nonoperating revenue (expenses)	<u>(626)</u>	<u>715</u>
Change in net assets (deficit)	<u>\$ (483,571)</u>	<u>\$ (248,567)</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Changes in Net Assets (Deficit)
For the Years Ended June 30, 2018 and 2017

Balance, July 1, 2016	\$ (3,022,828)
Change in net assets (deficit) - June 30, 2017	<u>(248,567)</u>
Balance, June 30, 2017	(3,271,395)
Change in net assets (deficit) - June 30, 2018	<u>(483,571)</u>
Balance, June 30, 2018	<u><u>\$ (3,754,966)</u></u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Cash Flows

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets (deficit)	\$ (483,571)	\$ (248,567)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Depreciation	400,240	417,549
Amortization of financing fees	8,406	8,406
(Increase) decrease in operating assets:		
Accounts receivable and other assets	(79,529)	3,019
Interfund receivable	354,733	(31,002)
Tenants' security deposits	(2,396)	(657)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	10,754	(7,154)
Accrued interest payable	(1,039)	(974)
Tenants' security deposits	1,548	2,566
Net cash provided by operating activities	<u>209,146</u>	<u>143,186</u>
Cash flows from investing activities		
Withdrawals from reserve for replacements	26,092	78,727
Deposits to reserve for replacements	(38,843)	(37,896)
Deposits to mortgage escrows	(54,012)	(54,123)
Withdrawals from mortgage escrows	52,597	53,066
Deposits to renovation escrow fund	(217)	(41)
Net cash provided by (used in) investing activities	<u>(14,383)</u>	<u>39,733</u>
Cash flows from financing activities		
Mortgage principal payments	(194,763)	(182,719)
Net cash used in financing activities	<u>(194,763)</u>	<u>(182,719)</u>
Net increase in cash	-	200
Cash, beginning of year	400	200
Cash, end of year	<u>\$ 400</u>	<u>\$ 400</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 680,281</u>	<u>\$ 692,323</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Magruder's Discovery Development Corporation (the Corporation) is a nonprofit, nonstock corporation formed in the State of Maryland on August 19, 2008 to acquire, own and operate 134 apartment units to be operated as a housing project for rental to persons of eligible income under the Annotated Code of Maryland (the Project). The Corporation provides residential housing to low income families and receives federal rent subsidies under a Section 8 Housing Assistance Payments Contract with the U.S. Department of Housing and Urban Development (HUD). The units are located in Bethesda, Maryland. Operations began on June 17, 2010.

Housing projects undertaken, financed, or assisted by the Corporation and the projects' related expenditures must be approved by the Housing Opportunities Commission of Montgomery County, Maryland, (a component unit of Montgomery County, Maryland) (HOC). The Corporation is legally separate from HOC, but the Corporation's financial statements are included in the Opportunity Housing Fund of HOC as a blended component unit. The Corporation's directors must be commissioners of HOC and, therefore, HOC can significantly influence the programs, projects, activities of, and the level of service performed by the Corporation.

Basis of Presentation

The Corporation conforms with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities* and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation has no temporarily or permanently restricted net assets as of June 30, 2018 and 2017.

Method of Accounting

The Corporation's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of June 30, 2018 and 2017.

Rents Receivable and Bad Debts

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts.

Management periodically evaluates the need for an allowance for doubtful accounts by considering the Corporation's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. There were no allowances as of June 30, 2018 and 2017.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated over their estimated useful lives of 5 to 40 years using the straight-line method.

Impairment of Long-lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2018 and 2017.

Interfund Receivable

The Corporation has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Corporation has not been paid or collected as of year-end, interfund payables and receivables are recorded. In addition, the Corporation is allocated costs from the HOC defined benefit pension plan and other post-employment benefit plan (OPEB) which includes retiree health insurance. The Corporation is allocated a net liability composed of a share of the related plan assets, liabilities, deferred outflows, and deferred inflows. Pension and OPEB expense are based on HOC management's calculation of costs related to employees of HOC that perform activities related to the Corporation. The components of the OPEB liability allocated to the Corporation and included in interfund receivable are \$1,549 of deferred outflows, \$32,592 of deferred inflows, and \$191,851 of net OPEB liability as of June 30, 2018. The balance of interfund receivable as of June 30, 2018 and 2017, is \$159,396 and \$514,129, respectively.

Net Assets

HOC, the Corporation's principal investor, is required to report on a fund basis and categorize net assets as the following:

Investment in capital assets represents the total of property and equipment, net less mortgage payable.

Restricted net assets represents the sum of total restricted cash and cash equivalents and tenant security deposits less the tenant security deposit liability.

Unrestricted net assets represents the balance remaining after Investment In Capital Assets and Restricted Net Assets.

Interest

The Corporation has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the statement of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Corporation is reporting loan fees related to its mortgages payable as a direct deduction from the principal balances of the mortgages, and is reporting amortization of the loan fees as interest expense on the mortgages payable. See Note 6 for more information.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Corporation is exempt from income taxes under Section 115 of the Internal Revenue Code, which excludes from gross income amounts earned by state and local governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Revenue

Rental income is recognized as rentals become due from residential tenants. Rental payments received in advance are deferred until earned. All leases between the Corporation and tenants of the properties are operating leases.

Advertising

The Corporation's policy is to expense advertising costs when incurred.

2) Concentration of Risk

The Corporation maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federal insured limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2018 and 2017.

3) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mortgage escrow deposits	12,222	10,807
Reserve for replacements	409,715	396,964
Renovation escrow	49,271	49,054
	<u>\$ 471,208</u>	<u>\$ 456,825</u>

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

3) Restricted Cash and Cash Equivalents (Continued)

Pursuant to the regulatory agreement with HUD, the Corporation is required to maintain a replacement reserve escrow account with HOC as trustee. The replacement reserve is set aside for future maintenance of the property. Details of the reserve for replacement account during the years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>
Balance beginning of year	\$ 396,964	\$ 437,795
Monthly deposits*	38,843	37,896
Reserve releases	<u>(26,092)</u>	<u>(78,727)</u>
Balance end of year	<u>\$ 409,715</u>	<u>\$ 396,964</u>

*In July 2011, the Corporation began contributing monthly payments of \$2,792 to the replacement reserve. Annually the monthly payment is scheduled to increase by 2.5%, and may be modified as needed by HOC. Monthly deposits for the years 2018 and 2017 were \$3,237 and \$3,158, respectively.

4) Property and Equipment

Property and equipment detail for the years ended June 30 was as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 691,363	\$ 691,363
Buildings and improvements	11,142,556	11,142,556
Machinery and equipment	<u>1,303,954</u>	<u>1,303,954</u>
Total property and equipment	13,137,873	13,137,873
Less: accumulated depreciation	<u>7,383,606</u>	<u>6,983,365</u>
Property and equipment, net	<u>\$ 5,754,267</u>	<u>\$ 6,154,508</u>

5) Negative Arbitrage

HOC issued bonds to provide the financing for the Corporation's rehabilitation. Because HOC earned less in interest revenue from the Corporation's loan during the construction than it paid to the HOC bondholders, negative arbitrage occurred. Negative arbitrage occurs when investments acquired with the bond proceeds earn less interest than is due to the bondholders.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

5) Negative Arbitrage (Continued)

During the year ended June 30, 2011, the Corporation paid \$194,637 to HOC as charge for the incurred negative arbitrage, representing the difference between the interest HOC earns on its loan to the Corporation and the interest HOC pays to the bondholders over the life of the loan. The Corporation is amortizing the amount over the 30-year term of the loan. For the years ended June 30, 2018 and 2017, \$6,492 of the negative arbitrage was amortized and charged to interest expense. The balance of the negative arbitrage is included in the accompanying statements of financial position under deferred charges.

6) Long-term Debt

Mortgage Payable

The Corporation is obligated to repay a mortgage to HOC. On June 14, 2010, the Corporation assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$11,780,518. The note is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Financing fees related to the mortgage were \$252,173 and are being amortized to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. The loan provides for interest at a nominal rate of 6.40% per annum and an effective interest rate of 6.51% per annum, to accrue until maturity, with the final balance of principal and accrued interest due June 1, 2041. Starting July 1, 2011, the Corporation began monthly principal and interest payments of \$73,688. On July 1, 2014, the Corporation executed an Amended and Restated Deed of Trust Note with HOC, which reduced the total available principal balance from \$11,780,518 to \$11,657,791. As of July 1, 2014, the note amendment revised the monthly principal and interest payments to \$72,920, which will continue through maturity, June 1, 2041. The outstanding principal and accrued interest balances as of June 30, 2018 and 2017 are \$10,522,854 and \$56,122, respectively, for 2018 and \$10,717,616 and \$57,161, respectively, for 2017. Unamortized financing fees for the years ended June 30, 2018 and 2017 were \$193,333 and \$201,738, respectively. Interest expense incurred during the years ended June 30, 2018 and 2017 was \$694,140 and \$706,247, respectively, including amortized financing fees and negative arbitrage of \$8,406 and \$6,492, respectively, in each year.

Maturities of the mortgage payable are as follows:

2019	\$	207,599
2020		221,282
2021		235,867
2022		251,413
2023		267,984
2024-2028		1,629,332
2029-2033		2,241,892
2034-2038		3,084,748
2039-2041		2,382,737
Total	\$	<u>10,522,854</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$8,406.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

6) Long-term Debt (Continued)

Mortgage Payable (Continued)

The liability of the Corporation under the mortgages is limited to the underlying value of the real estate collateral and an assignment of rents, plus other amounts deposited with the lender.

7) Real Estate Taxes

The Corporation has an agreement with Montgomery County, Maryland, to make a payment in lieu of taxes (PILOT). During the year ended June 30, 2010, the Corporation applied for and received an exemption from the state property tax under a similar PILOT agreement.

8) Related Party Transactions

Property Management Fee

The Corporation is required to pay a management fee to HOC as determined by HOC. Each year, the amount is approved by HOC based on the agency cost allocation model determined during the budgetary process. During the years ended June 30, 2018 and 2017, management fees of \$90,050 were incurred each year.

Development Corporation Fee

The Corporation pays an annual fee to HOC in the amount as approved by the HOC Commissioners. The fee is assessed at the end of the fiscal year based on the performance of the property during the fiscal year. For the years ended June 30, 2018 and 2017, development corporation fees of \$762,339 and \$645,908, respectively, were incurred.

9) Housing Assistance Payment Contract

Effective June 17, 2010, the Corporation assumed from HOC the Assignment, Assumption and Amendment Agreement of the Section 8 Housing Assistance Payment Contract. The agreement was renewed on December 1, 2017 and is renewable annually. Tenant assistance payments for the years ended June 30, 2018 and 2017 were \$1,538,030 and \$1,502,148, respectively.

10) Subsequent Events

Management has evaluated events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

See independent auditor's report.



Independent Auditor's Report on Supplementary Information

We have audited the financial statements of Magruder's Discovery Development Corporation as of and for the years ended June 30, 2018 and 2017 and our report thereon dated January 3, 2019, expressed an unmodified opinion on those financial statements, which appears on pages one and two. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 presented in all material respects in relation to the financial statements as a whole.

Hertzbach & Company, P.A.

Owings Mills, Maryland
January 3, 2019

Magruder's Discovery Development Corporation

Detail of Selected Statements of Financial Position Accounts
As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Accounts receivable and other assets		
Accounts receivable - subsidy	\$ 119,495	\$ 31,270
Other resident fees receivable	282	203
Prepaid mortgage insurance	52,058	53,066
Rents receivable	3,000	4,275
Technology fee receivable	(10)	(10)
	<u> </u>	<u> </u>
Total accounts receivable and other assets	<u>\$ 174,825</u>	<u>\$ 88,804</u>
Accounts payable and accrued expenses		
Accrued annual leave	\$ 13,960	\$ 12,201
Accounts payable	18,147	7,575
Accrued salaries	-	10,052
Accrued utility payments	4,885	-
Clearing resident refunds	5,026	5,026
Resident prepaid rents	18,338	14,764
Subsidy prepaid rents	18,972	18,957
	<u> </u>	<u> </u>
Total accounts payable and accrued expenses	<u>\$ 79,328</u>	<u>\$ 68,575</u>

See independent auditor's report on supplementary information.

Magruder's Discovery Development Corporation

Detailed Statements of Activities

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Dwelling rental income		
Rent	\$ 2,295,925	\$ 2,279,906
Vacancies and concessions	(10,777)	(59,665)
Tenant charges	2,823	2,594
Laundry income	16,618	19,354
Total dwelling rental income	<u>\$ 2,304,589</u>	<u>\$ 2,242,189</u>
Other income		
Miscellaneous	\$ 125,075	\$ 5
Rental license	5,896	5,494
Total other income	<u>\$ 130,971</u>	<u>\$ 5,499</u>
Administrative expenses		
Advertising and marketing	\$ 10	\$ 4
Management fees	90,050	90,050
Miscellaneous	1,130	1,141
Salaries	111,798	97,975
Office supplies and expense	11,891	7,037
Professional fees	13,506	10,293
Rent	1,092	1,014
Licenses	6,138	5,886
Telephone	3,545	4,817
Vehicle	15,885	12,073
Total administrative expenses	<u>\$ 255,045</u>	<u>\$ 230,290</u>

See independent auditor's report on supplementary information.

Magruder's Discovery Development Corporation

Detailed Statements of Activities (Continued)
For the Years Ended June 30, 2018 and 2017

	2018	2017
Operating and maintenance expenses		
Contracts	\$ 29,657	\$ 13,540
Exterminating	3,151	3,964
Grounds maintenance	23,535	20,533
HVAC repairs and maintenance	6,406	10,630
Janitorial	3,434	2,552
Salaries	114,350	103,977
Snow removal	-	635
Supplies and repairs	96,714	63,198
Total operating and maintenance expenses	<u>\$ 277,247</u>	<u>\$ 219,029</u>
Utilities expense		
Gas and electric	\$ 43,816	\$ 25,469
Trash removal	10,276	11,984
Water	71,528	54,350
Utilities expense	<u>\$ 125,620</u>	<u>\$ 91,803</u>
Fringe expenses		
Accrued leave	\$ 1,760	\$ 4,071
Deferred contribution plan	12,431	11,239
FICA	13,804	12,704
Health insurance	49,485	52,938
Other post employment benefits	245,396	24,659
Unemployment	618	903
Workers' compensation	4,530	3,570
Total fringe expenses	<u>\$ 328,024</u>	<u>\$ 110,084</u>
Other expenses		
Development corporation fee	\$ 762,339	\$ 645,908
Insurance	68,896	67,522
Security contracts	180	1,489
Taxes	2,152	2,152
Water quality protect charge (RFSA)	4,622	4,212
Total other expenses	<u>\$ 838,189</u>	<u>\$ 721,283</u>

See independent auditor's report on supplementary information.