



Housing  
Opportunities  
Commission  
OF MONTGOMERY COUNTY

A Component Unit of Montgomery County, Maryland

# Comprehensive Annual Financial Report

For the Fiscal Year Ended on June 30, 2014

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

**(A Component Unit of Montgomery County, Maryland)**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2014**

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

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

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# I. INTRODUCTORY SECTION



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Housing Opportunities Commission  
of Montgomery County, Maryland**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



10400 Detrick Avenue  
Kensington, MD 20895-2484  
(240) 627-9400



November 5, 2014

Members of the Commission  
Housing Opportunities Commission of Montgomery County

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Housing Opportunities Commission of Montgomery County (the "Commission") for the fiscal year ended June 30, 2014. 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 auditors' report on the basic financial statements, management's discussion and analysis, the basic financial statements, and supplementary information consisting of 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 sub-funds: General Sub-Fund, Opportunity Housing Sub-Fund, Public Sub-Fund, Single Family Sub-Fund, and the Multifamily Sub-Fund. In addition, 17 Low Income Housing Tax Credit partnerships (LIHTC) are consolidated and presented as 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 comprised of seven members, who are appointed by the County Executive and confirmed 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, 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 capital and 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**

Trends from the first and second quarters of the fiscal year were positive, with the national Gross Domestic Product (GDP) increasing by 2.1% and 4.6% respectively. A declining unemployment rate has also boosted both business and consumer optimism. As of August 2014, the national unemployment rate was 5.9%, down from 7.3% from August 2013.

Nationally, foreclosure activity has declined by 21% from 2013 rates, a sign that the housing market is continuing to improve. However, foreclosures in Maryland have increased 17% from 2013, although Montgomery County has fared better than the statewide average. Across the nation, residential construction experienced a brief lull in 2013 but has rebounded and completion rates are up 16.9% from August 2013.

Overall, most analysts view these economic trends positively. Consumer confidence should be on the rise as well. Personal income has risen steadily, climbing 3.8% over the last three years, as the country continues to rebound from the Great Recession.

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

- Relatively low unemployment (5.6% compared to the national average of 5.9%);
- Continued employment growth (19,800 jobs added over the last 12 months);
- After significant gains in 2013, housing prices continue to rise but at a slower rate. The median sales price during fiscal year 2014 was \$395,167 which represents a 1.3% increase over the prices experienced during fiscal year 2013.
- Residential construction permits issued in Montgomery County for both single family and multi-family development increased by 63% over 2013 figures, while statewide new permits decreased by 3.3% from 2013.

**Housing Choice Voucher and Public Housing Operating Subsidy:** In October 2013, many observers forecasted significant cuts from sequestration for the third and fourth quarter of fiscal year 2014. The impact of reductions was significant but not as damaging as many had feared. Nonetheless, it remains critically important that HOC identify solutions to reduce reliance on Federal funding.

In September 2010, staff introduced the Commission to an initiative that would permit HOC to alter the status of its 669 Scattered Site Public Housing units while maintaining the same general affordability. In June 2011, HOC submitted an application to HUD requesting the disposition of these units. On March 8, 2012, HUD approved the Agency's application for the disposition of 669 Public Housing units. HOC is in the final stages of completing renovations on these units, converting the subsidy to project-based subsidies and finalizing a major lease-up campaign to maximize revenue from these former Public Housing units.

Concurrently, HOC has moved forward with the conversion of multifamily Public Housing units to project-based subsidies through the Rental Assistance Demonstration (RAD) program. Similar to the scattered site disposition, RAD converts multifamily Public Housing properties to Project Based Section 8 funding. Additionally, RAD allows HOC to take ownership of these properties and access private capital for the purpose of rehabilitating or redeveloping the properties.

Upon conclusion of these two initiatives, currently projected in fiscal year 2018, HOC will effectively have opted out of the Public Housing program in favor of not only a more stable subsidy, but also a financial model that will promote improved cost management and sustainability.

***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 2014, construction and renovation continued on several of the Commission's multifamily and scattered site projects:

- **Tanglewood and Sligo Hills Apartments:** This six building, 132-unit garden project located in the Long Branch section of Silver Spring underwent a substantial renovation. The buildings are located on Manchester Avenue (8900, 8902, 8904, and 9000 – 9006) and Schuyler Road (104-106). The redevelopment commenced construction in January 2013 and was completed in January 2014. The property is over 97% occupied and has achieved stabilized operations. The renovated community includes a fitness center, business center/computer lab, two new decks, as well as an activity/childhood learning center and new management offices.

The initial closing on December 18, 2012 was funded from a construction loan from Capital One Bank, N.A., equity from the sale of low income housing tax credits, subordinate loan from the Maryland Department of Housing and Community Development and a seller note from HOC, all totaling \$28,768,303. The permanent financing is being processed and will be funded from the proceeds of an FHA 223(f) loan guaranteed by GNMA. The new permanent loan will be increased to \$12,033,076 to cover additional project costs while maintaining the same debt service coverage ratio as the original underwriting.

- **Brookside Glen:** Brookside Glen is a 90 unit townhouse/apartment community located on Georgia Avenue in Silver Spring, Maryland. Renovation of the property was approved by the Commission and the Maryland Department of Housing and Community Development using available property reserves. FY 2014 was the final year of a five-year renovation plan, initially budgeted for \$1,948,100. The roof has been replaced and the renovation of 87 units has been completed. The exterior painting is on schedule for early fall 2014. Total completion of the renovation plan, with its approved, revised actual cost of \$1,994,391 (\$22,160/unit), is expected to occur prior to year-end 2014.
- **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 (approximately \$71,000 per unit) was completed in December 2011. The renovation was completed by way of multiple sources including HOC bonds, the OHRF, and DHCA HIF funds. A permanent financing solution had been hindered due to the property's inability to reach stabilized occupancy of 93%. Once occupancy reached 85% for a period of six (6) months, staff explored a viable FHA option for permanent financing. On January 8, 2014, the Commission approved a

Refinancing Plan to engage Love Funding, as the Multifamily Accelerated Processing (MAP) Lender, and to obtain a FHA 223(f) Government National Mortgage Association (GNMA or “Ginnie Mae”) backed mortgage for Paddington Square. This execution will garner approximately \$19 million in loan proceeds and will retire \$18.5 million in outstanding debt. The final application was submitted to HUD in June 2014, and staff anticipates a second quarter FY 2015 closing.

- **Southbridge:** A substantial renovation at Southbridge Apartments, located at 7423, 7425, 7427, 7419 & 7411 Aspen Court, Takoma Park, Maryland was completed in FY 2013. The property consists of 39 apartment units with 20 units restricted to residents and families with incomes at or below 50% of the area median income. DHCA has provided a total of \$8.1 million in financing for acquisition and renovation of the property of which \$3.4 million (renovation costs) were only provided on an interim basis. In accordance with the Deed of Trust, the sources to refinance the renovation are a conventional loan for \$1.9 million and state funding by way of DHCD’s Partnership Rental Housing Program (PRHP) of \$1.5 million. Once the PRHP funding is received, the public purpose for the affordable units will change to 50% of the state median income. Staff began working with Sandy Spring Bank on a financing proposal before the end of FY 2014 and reopened discussions with DHCD on the PRHP application. Staff anticipates closing on the Sandy Spring Bank loan in the second quarter of FY 2015 and on the PRHP loan before the end of FY 2015.
- **Scattered Site I Development Corp.:** On August 3, 2011, the Commission approved a Development Plan for 297 scattered site units pursuant to which on May 9, 2012, the Commission issued \$9.2 million of tax exempt bonds to fund a mortgage for Scattered Site One Development Corporation (the “Development”). The Development consists of 190 units of former tax credit units of MHLP II, III, IV, V, and VIa which had reached the end of their respective compliance periods and were transferred to HOC, as well as units from MPDU 2007 also owned by the Development. Metro Paving was selected as the general contractor for the renovation of 170 units for a total budgeted cost of \$2.5 million, averaging \$13,340 per unit. The in-place renovation began in February 2013 and was expected to take 18 months to complete. The renovation is approximately 20% complete (34 units) thus far.
- **Scattered Site II Development Corp.:** On August 3, 2011, the Commission approved a Development Plan for 297 scattered site units pursuant to which PNC Bank, N.A. provided a loan of \$4.9 million for the financing, renovation and soft costs for the project. The units are now being transferred into the new owner. Similar to Scattered Site I, staff has concluded that the current budget is not appropriate to resolve the outstanding issues evident in many of the units; as such, the project is on hold. Staff is currently undertaking the renovation of the 669 scattered site former Public Housing units, and this rehabilitation will provide a better understanding of the scope and cost to achieve an acceptable level of renovations for these units in a responsible way. Staff believes that the project can be restarted in fall 2015 with completion by year end 2016.
- **Chevy Chase Lake Apartments:** Chevy Chase Lake Apartments now consist of 68 garden style apartments that serve residents with a mix of income up to 120% (workforce housing limit) of the area median income. This project is now in a new pre-development phase. On January 23, 2014, the Commission approved the disposition of the three Eastern-most lots of the Chevy Chase Lake Apartments site to the Bethesda based townhome developer, Eakin, Youngentob & Associates (“EYA”). Pursuant to the redevelopment plan that was submitted to the Montgomery County Council and approved by the Council on July 31, 2013, EYA will develop between 60 and 70 luxury townhomes, a new park, and road leading to the mixed use site beyond the Old Georgetown Trail. HOC is approved to develop a 10 story, 195,000 square feet multifamily building on the remaining site. The development

has received Sketch Plan approval from the County and is expected to submit for site plan approval in October 2014.

The proposed HOC owned multifamily building design includes fitness space, roof top garden, and community lounge, with a pool under consideration. The site is located less than 500 feet from the proposed Purple Line Metro Station as well as within 0.5 miles of the proposed Chevy Chase Land Company redevelopment.

- **Elizabeth House:** Elizabeth House is one of the 11 public housing properties approved for conversion to project based subsidy under the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program. On August 13, 2013, the Commission approved the staff to submit the feasibility applications to HUD for approval of the conversion of the entire multifamily portfolio. Elizabeth House, located in downtown Silver Spring, is a 160 unit senior housing development built in the 1960s. The building is at the end of its useful life and functionally obsolete. The building is adjacent to another site, Fenwick Professional Park (FPP) owned by the Lee Development Group. Together with both Alexander House (312 Units) and FPP, the entire site is called Elizabeth Square and will create almost 800,000 square feet of development potential in the optional development process. Elizabeth House III will be the first phase of new construction planned to begin in the second quarter of 2016 (calendar year). It will provide 277 new one and two bedroom units, with 145 affordable replacement units and 132 market rate units. The first two levels of the building will comprise a new wellness center with Holy Cross Hospital as an anchor partner and a potential partnership with other public entities to operate the pool and fitness areas. Both of these functions will be rounded out with a five-star dining experience in the Bistro Kitchen, which will be a teaching kitchen focused on healthy eating and living.
- **Brooke Park:** On October 2, 2013, the Commission approved the acquisition of the Brooke Park Apartments and the assumption of the County's first right of refusal. Brooke Park consists of 18 units, nine 1 bedroom units and nine 2 bedroom units. The property was approximately 50% occupied and in need of renovation. The previous owner had recently entitled the property for 10 luxury townhomes and as a result the real estate team must modify the existing plot in order to begin the renovation process. The strategy for the property is to maximize the number of family friendly units within the existing building envelope and minimize the need for any additional variances from planning. Real Estate staff is currently working with the planning department to determine the appropriate next steps. The Montgomery County Department of Housing and Community Affairs is providing funding for the entire acquisition and rehabilitation of Brooke Park.
- **Barclay Apartments:** On September 3, 2014, the Commission authorized staff to expend funds to preserve and maximize its redevelopment rights for the Barclay Apartments, a 157 unit project located in South Bethesda. The development currently has one and two bedroom units with 86 affordable units and 71 market rate units. The ten-year credit delivery period sunsets in 2015 and the overall partnership sunsets in 2020. The opportunity over the next 12 months is to request a denser and taller treatment than currently proposed by the planning staff. Because Bethesda is a highly desirable and ideally located community, staff believes that this is a generational opportunity to expand the Commission's presence in this community. Staff will be working with consultants currently in its architectural and legal pools to pursue this outcome.

- **Arcola Towers:** Arcola Towers is a senior housing apartment community (serves senior citizens >62 years of age), originally constructed in 1971 and located at 1135 University Blvd. West, near the intersection of University Blvd. West and Arcola Avenue in Silver Spring, Maryland. The 12-story building contains 141-units on 3.25 acres. The building unit mix is entirely 1 bedroom/1 bath.

Arcola Towers is a more than 40 year old high rise structure that has received modest improvements since initial construction. HOC seeks to renovate the existing property to extend its useful life for at least another 36 years. The renovation will entail the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work will require replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation will be tenant in place, with a phasing schedule based in tiers.

Staff expects the renovation to be funded with the proceeds of Low Income Housing Tax Credits and private activity, tax-exempt bonds of approximately \$13.2 million, a seller note of approximately \$12.0 million and almost \$200,000 in deferred fees. Of the total project costs, \$12.5 million is budgeted for the acquisition of the Property. An additional \$10.7 million will fund renovation, financing, reserves and other soft costs and approximately \$2.2 million for development fees to HOC. Renovation is set to begin in the first half of FY 2016 and will take place in and around both occupied and vacant units, all owned and managed by HOC.

The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 134 units or 95% of the units to households that do not exceed 60% AMI. The remaining seven units, or 5%, will be leased as Opportunity Housing units with no income restrictions.

- **Waverly House:** Waverly House is a senior housing apartment community (serves senior citizens >62 years of age), placed into service in 1978 and located at 4521 East West Highway near the intersection with Wisconsin Avenue in Bethesda, Maryland. The 0.74-acre property is improved with a 15-story building of 158 units in which 156 are one-bedroom units and 2 two-bedroom units are currently used for offices.

Waverly House is a 40 year old high rise structure that has received modest improvements since initial construction. HOC seeks to renovate the existing property to extend its useful life for at least another 36 years. The renovation will entail the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work will require replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation will be tenant in place, with a phasing schedule based in tiers.

Staff expects the renovation to be funded with the proceeds of Low Income Housing Tax Credits and private activity, tax-exempt bonds of approximately \$16.8 million and a seller note of approximately \$12.7 million. There are no scheduled deferred fees for the project. Of the total project costs, \$14.0 million is budgeted for the acquisition of the property. An additional \$13.1 million will fund renovation, financing, reserves and other soft costs and approximately \$2.4 million for development fees to HOC. Renovation is set to begin in the first half of FY 2016 and will take place in and around both occupied and vacant units, all owned and managed by HOC.

The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 151 units or 95% of the units to households that do not exceed 60% AMI. The remaining seven units, or 5%, will be leased as Opportunity Housing units with no income restrictions.

- **TPM Development Corp. (TPM):** TPM is a development corporation that owns three separate projects: Timberlawn Crescent, a 107-unit apartment community; Pomander Court, a 24-unit townhouse community and 59 scattered site MDPUs.

On July 7, 2013, the Commission approved a preliminary development plan, pre-development budget, and interim financing plan that provided intermediate funds to make emergency repairs and exterior renovations at Timberlawn Crescent. The work involved replacing the structurally deficient decks as well as the interconnected building envelopes systems (e.g. siding and windows), repairing drainage issues on site, replacing exterior railing and painting the buildings. This work has been completed.

Staff will issue an RFP to renovate the interior of the apartment units at both Timberlawn and Pomander. The RFP will request proposals to update the kitchens, bathrooms, lighting, flooring and mechanical systems as needed. Staff will request pricing to create an outdoor community space at Timberlawn as well as for improvements to the community center. Staff contemplates interim financing for the renovation, followed by a refinancing of the development corporation. The refinancing would leave the two apartment communities together and transfer the scattered site units to HOC for renovation in the future.

#### ***The Year Ahead:***

- **Alexander House:** In fiscal year 2015, the Commission plans to prepay \$27.6 million of outstanding mortgages for Alexander House Development Corporation and TPM Development Corporation. The prepayments will occur on October 23, 2014 and the proceeds will be used to redeem portions of prior bonds (2007 Series B-1 and 2012 Series B) issued under 1996 Multifamily Housing Development Bond Resolution (MFHDB). The properties are currently under review for comprehensive rehabilitation and refinancing. The permanent financing plan will be presented to the Commission for approval in calendar year 2015 when tax-exempt bonds will be issued to fund new mortgages to be insured by FHA pursuant to its Risk Sharing Agreement with HOC. The prepayment funds will be provided as an interim loan from drawing on the PNC Bank, N.A. Revolving Real Estate Line of Credit. Given current mortgage rates for both properties (5.94% and 5.2%), the interim loans will reduce interest carry during the development periods with limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 65.5% of the 30-day London Inter Bank Offered Rate (LIBOR) plus 38 basis points.
- **Ambassador Apartments:** In fiscal year 2015, the Commission plans to prepay \$2.3 million of outstanding indebtedness for Wheaton-University Boulevard Limited Partnership (Ambassador Apartments). Approximately \$1.8 million will prepay a first mortgage for the property, the proceeds of which will redeem prior bonds (1992 Series C Bonds) issued under 1982 Multifamily Mortgage Revenue Bond Resolution. This is the last remaining property issued under this indenture; therefore, the indenture will be closed and the remaining assets transferred under the MFHDB. Approximately \$400,000 will be used to retire a subordinate surplus cash note held by the Maryland Department of

Housing and Community Development. The Commission approved a redevelopment plan for the Ambassador Apartments pursuant to which a development program is being developed. It is anticipated that the entitlement process will conclude in 2016 at which time a new financing will close. The property currently pays debt service on the existing first mortgage at a 6.6% rate, which would be replaced by draw on PNC Bank, N.A. Revolving Real Estate Line of Credit with limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 65.5% of the 30-day London Inter Bank Offered Rate (LIBOR) plus 38 basis points.

- **Greenhills Apartments:** In fiscal year 2015, the Commission plans to prepay \$4.2 million of outstanding mortgages for Greenhills Apartments. The proceeds will be used to redeem prior variable rate demand obligations bonds issued under the 2002 Multiple Purpose Bond Resolution (2008 Series A Bonds) on November 1, 2014. Greenhills Apartments is currently under review for comprehensive rehabilitation and refinancing. The final development and permanent financing plans will be presented to the Commission for approval in calendar year 2015 when tax-exempt bonds are expected to be issued to fund a new mortgage that will be insured by FHA pursuant to its Risk Sharing Agreement with HOC. The prepayment funds will be provided as an interim loan from drawing on the PNC Bank, N.A. Revolving Real Estate Line of Credit. By redeeming these bonds, the credit facility (PNC Bank Letter of Credit) will be terminated and the financing will no longer be subject to weekly remarketing, thereby lowering the overall cost to the property. The property currently makes debt service payments based on a 6.5% mortgage rate; therefore, the interim loans pose limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 65.5% of the 30-day London Inter Bank Offered Rate (LIBOR) plus 38 basis points.
- **Chevy Chase Lake Apartments:** On June 13, 2014, the Commission approved selling a portion of the site to Eakin, Youngentob & Associates (EYA) to develop for-sale townhomes. As the overall site has nearly completed the Sketch Plan leg of the development approval process, and the townhomes Preliminary Site Plan submittal is nearly complete, HOC will retain a portion of the land to build an 8 – 10 story mixed-income apartment building. The remainder of the site will provide a public park and an access road which will have a future connection under the Georgetown Trail to the adjacent project. The redeveloped site would include a park, up to 6,000 square feet of amenity space, underground parking and free internet access for low-income residents. HOC's funds from the townhouse sale would be used for future developments, including the proposed multi-family building.
- **Capital One, NA Acquisition:** The Commission entered into a purchase and sale agreement on February 4, 2014 with Capital One, NA for the acquisition of an unimproved parcel for \$1.7 million. It is approximately one acre in the size adjacent to the Holly Hall Apartments and the former National Labor College. The Commission recognizes that ownership of the property provides advantages for potential redevelopment of Holly Hall in the future as location for staging for a relocated housing facility as well as benefits for access to whole area in conjunction with changes in zoning.
- **Arcola Towers and Waverly House:** On December 20, 2013, HOC received from the United States Department of Housing and Urban Development (HUD) approval to participate in its RAD program. The RAD program will allow HOC to raise sufficient capital to meet the outstanding physical needs of the asset. The Commission plans to undergo a comprehensive renovation and address the property's capital need backlog and dramatically reduce operating expenses particularly in maintenance and utility cost.

- **RAD 6 Development Cooperation:** On December 18, 2013 and March 26, 2014, HUD awarded a Commitment for a Housing Assistance Payment contracts (CHAP) for Seneca Ridge, Parkway Woods and Ken Gar, Sandy Spring Meadow and Towne Centre Place Olney, and Washington Square (all properties excluding Emory Grove are known as the RAD 6). On May 7, 2014, the Commission approved the Preliminary Development Plans, selection of Bennett Frank McCarthy and Karl Riedel Architects as the architects, and the selection of a pool of general contractors for the in-place rehabilitation of the RAD 6 properties.

## **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 compliance department as well as an internal auditor.

**Single Audit:** In compliance with the A-133 requirements, 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, 2014 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 Commission has 17 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.



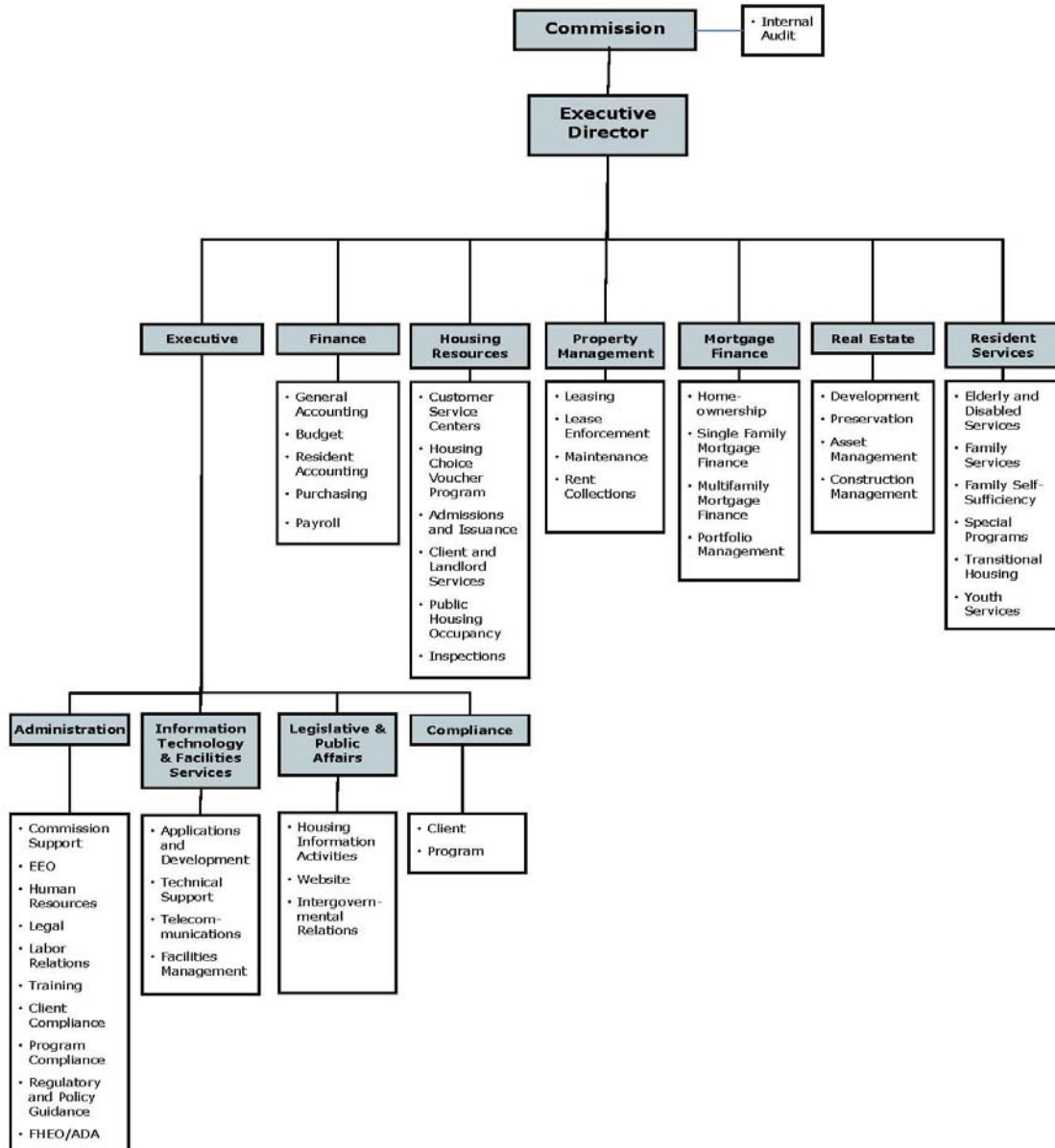
**Acknowledgements:** The preparation of this report has been accomplished by the efforts of the Finance Department in conjunction with the support of various division heads and staff throughout the Commission. We would also like to thank the Commission for their continued support and guidance throughout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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Gail Willison", with a long horizontal flourish extending to the right.

Gail Willison  
Chief Financial Officer

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



**Name, Title**

**Expiration of Term**

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**BOARD OF COMMISSIONERS**

Roberto Pinero, Chair	August, 2018
Sally Roman, Vice Chair	August, 2016
Jean Banks, Chair Pro Tem	August, 2017
Pamela T. Lindstrom, Commissioner	August, 2014
Rick Edson, Commissioner	August, 2014
Jackie Simon, Commissioner	August, 2015
Mynor Herrera, Commissioner	August, 2018

**SENIOR MANAGEMENT**

Stacy Spann, Executive Director

Ken Tecler, General Counsel

**EXECUTIVE STAFF**

Gail Willison, Chief Financial Officer

Kayrine Brown, Director of Mortgage Finance, Real Estate Development

Scott Ewart, Director of Information Technology & Facilities

Lynn Hayes, Acting Director of Housing Resources

Fred Swann, Director of Resident Services

Patrick Mattingly, Director of Human Resource

Regina S Mitchell, Director of Property Management

# I. FINANCIAL SECTION

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## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units 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, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' Responsibility***

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, which represent 100 percent, respectively, of the assets, net position, and revenues of the component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 purpose 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 opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Commission as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The sub-fund financial statements and budgetary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The sub-fund financial statements and budgetary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic 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 as a whole.

The introductory section and statistical section have been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014 on our consideration of the Commission's internal control over financial reporting and on 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 5, 2014



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**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

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, 2014. 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 position decreased by \$5.1 million (or 2.7%) from \$185.7 million at June 30, 2013 to \$180.6 million at June 30, 2014.
- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 3.98 at June 30, 2013 to 3.27 at June 30, 2014, due to a decrease in short-term investments in the Single Family and Multifamily Bond Sub-Funds.
- Outstanding mortgage and construction loans receivable decreased from \$335.2 million at June 30, 2013 to approximately \$303.1 million at June 30, 2014.
- The amount of U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payments (HAP) administered by the Commission increased by 2.9% from \$86.9 million in fiscal year 2014 to \$89.4 million in fiscal year 2014.
- The Multifamily Bond Sub-Fund retired bonds in the amount of \$9.9 million which consisted of \$525,000 from the Multipurpose Indenture, \$155,000 from the 1982 Indenture, \$165,000 from the 1984 Indenture, \$8.5 million from the 1996 Indenture, \$155,000 from the 2009 Indenture and \$385,000 from the 1998 Issue A bonds.
- The Single Family Bond Sub-Fund retired and refunded bonds in the amount of \$19.3 million in fiscal year 2014. This includes \$13.5 million from the 1979 Single Family Fund and \$5.8 million from 2009 indenture.
- During 2014, the Commission acquired Brooke Park Apartments, an 18 unit apartment building located in Bethesda, Maryland. The Commission plans to rehabilitate the property through a DHCA low income housing loan so that all units will be affordable to families at or below 65% of median income. The property is currently managed by Avison & Young.
- The Commission created VPC One and VPC Two Development Corporations to accommodate the former 669 public housing scattered site units that were acquired through HUD's Section 18 disposition program. The Commission began renovation of these units in FY 2014.
- During 2014, the Commission transferred the ownership of MHLP VII and MHLP VIII from the Real Estate Limited Partnership Portfolio to the Opportunity Housing Portfolio.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

**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 position.

The statement of net position presents information on all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount reported as net position. Over time, increases or decreases in net position 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 position presents information on how the Commission's net position changed during the fiscal year.

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

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 sub-funds.

**Sub-Funds**

**General Sub-Fund** – the Commission's primary operating fund. The entire administration and overhead of the Commission is maintained within this fund. In addition, in FY 2014, the Department of Housing and Urban Development (HUD) required all public housing authorities to implement a Central Office Cost Center (COCC). As a result, the General Fund was split into two components: one to reflect Agency overhead related to Federal programs and corresponding Fee Income, and one to reflect the Agency overhead related to Non-Federal Programs. All activities are consolidated for reporting purposes under the general sub-fund.

**Opportunity Housing Sub-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.

**Public Sub-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.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

**Single Family Sub-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 Sub-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.

**Discretely Presented Component Units**

Real Estate Limited Partnerships – The Commission is the managing general partner in 17 real estate limited partnerships. Fifteen 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, 2014.

**Blended Component Units**

Development Corporation – The Commission has 19 properties that are considered blended component units and presented with the Opportunity Housing Sub-Fund in the appropriate fund financial statement and combining statements.

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

The Commission's total net position in fiscal year 2014 decreased by 2.7%.

Net investment in capital assets is 8.9% of the Commission's net position. These capital assets are used primarily to provide housing to low-income residents.

42.2% of the Commission's position reflects 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.

48.9% of the Commission's net position is unrestricted. These non-restricted resources are used in the operations of the Commission.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

**Housing Opportunities Commission's Net Position**  
*(In millions of dollars)*

	<u>2014</u>	<u>2013</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
<b>Assets:</b>				
Current and other assets	\$ 312.8	\$ 307.5	\$ 5.3	1.7%
Capital assets	351.1	351.1	-	0.0%
Mortgage and construction loans receivable	303.1	335.2	(32.1)	(9.6)%
<b>Total assets</b>	<u>967.0</u>	<u>993.8</u>	<u>(26.8)</u>	<u>(2.7)%</u>
Deferred outflows of resources	<u>9.6</u>	<u>11.7</u>	<u>(2.1)</u>	<u>(17.9)%</u>
<b>Liabilities:</b>				
Current liabilities (including current portion of long-term debt and bonds payable)	<u>77.5</u>	<u>64.9</u>	<u>12.6</u>	<u>19.4%</u>
<b>Noncurrent liabilities:</b>				
Bonds payable	579.6	610.0	(30.4)	(5.0)%
Other liabilities	<u>138.9</u>	<u>144.9</u>	<u>(6.0)</u>	<u>(4.1)%</u>
<b>Total liabilities</b>	<u>796.0</u>	<u>819.8</u>	<u>(23.8)</u>	<u>(2.9)%</u>
<b>Net position</b>				
Net investment in capital assets	16.1	21.0	(4.9)	(23.3)%
<b>Restricted for:</b>				
Debt service	73.8	53.9	19.9	36.9%
Customer deposits and other	1.3	7.5	(6.2)	(82.7)%
Closing cost assistance program	1.0	0.6	0.4	66.7%
Unrestricted	<u>88.4</u>	<u>102.7</u>	<u>(14.3)</u>	<u>(13.9)%</u>
<b>Total net position</b>	<u>\$ 180.6</u>	<u>\$ 185.7</u>	<u>\$ (5.1)</u>	<u>(2.7)%</u>

Total assets of the Commission decreased by \$26.8 million or 2.7%, with a corresponding decrease in total liabilities of \$23.8 million or 2.9% from fiscal year 2013.

The decrease in total assets was largely due to a decrease of \$29.5 million within the Single Family Sub-Fund, due to mortgage loan pay offs, foreclosures and a decrease in the Multifamily Sub-Fund, due to normal principal amortization. This is partially offset by a net increase of \$24.4 million in the Opportunity Housing Sub-Fund resulting from the acquisition of Brooke Park Apartments, one single family home for the Jubilee Program and the transfer of ownership of MHLP VII and VIII from the Real Estate Limited Partnership Portfolio, including the purchase of additional units under the HOC Home Ownership Program.

Based on Government Accounting Standards Board (GASB) 53, *Accounting and Financial Reporting for Derivative Instruments*, the changes in fair values of hedging derivative instruments are presented as either deferred inflows or outflows in the statement of net position. HOC has experienced a decrease in fair value of \$2.1 million in both the Single Family Sub-Fund and the Multifamily Sub-Fund in its interest rate swaps liability.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

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

	<u>2014</u>	<u>As Restated 2013</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Operating revenues:				
Dwelling rental	\$ 65.4	\$ 62.2	\$ 3.2	5.1%
Intergovernmental grants	105.7	110.4	(4.7)	(4.2)%
Investment income	3.7	7.3	(3.6)	(49.2)%
Unrealized gains (losses) on investments	0.8	(8.3)	9.1	(109.6)%
Interest on mortgages and construction				
loans receivable	15.0	16.9	(1.9)	(11.4)%
Management fees and other income	11.2	18.5	(7.3)	(39.6)%
<b>Total operating revenues</b>	<u>201.8</u>	<u>207.0</u>	<u>(5.2)</u>	<u>(2.5)%</u>
Operating expenses:				
Housing assistance payments	89.4	86.9	2.5	2.9%
Administration	34.0	33.9	0.1	0.2%
Maintenance	16.9	15.8	1.1	7.0%
Depreciation and amortization	17.4	19.4	(2.0)	(10.1)%
Utilities	5.3	5.3	0.0	0.2%
Fringe benefits	11.1	10.1	1.0	10.4%
Interest expense	24.2	29.3	(5.1)	(17.6)%
Other expenses	9.1	9.2	(0.1)	(1.6)%
<b>Total operating expenses</b>	<u>207.4</u>	<u>209.9</u>	<u>(2.5)</u>	<u>(1.2)%</u>
Operating (loss)	(5.6)	(2.9)	(2.7)	94.2%
Nonoperating revenues, net	<u>0.1</u>	<u>0.8</u>	<u>(0.7)</u>	<u>(87.5)%</u>
Income (loss) before contributions	(5.5)	(2.1)	(3.4)	163.4%
Capital contributions and transfers	<u>0.5</u>	<u>1.0</u>	<u>(0.5)</u>	<u>(50.0)%</u>
<b>Change in net position</b>	<u>\$ (5.0)</u>	<u>\$ (1.1)</u>	<u>\$ (3.9)</u>	<u>357.4%</u>

Net Position of the Commission decreased by approximately \$5.1 million or 2.7%.

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, 2014, the Commission has recorded all ABA received as income.

Intergovernmental grants decreased by \$4.7 million as a result of a decrease in HUD subsidies.

The decreased investment interest income of \$3.6 million is due to the sale of \$92.0 million in GNMA securities in the Multifamily Sub-Fund. The unrealized gain (loss) 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.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

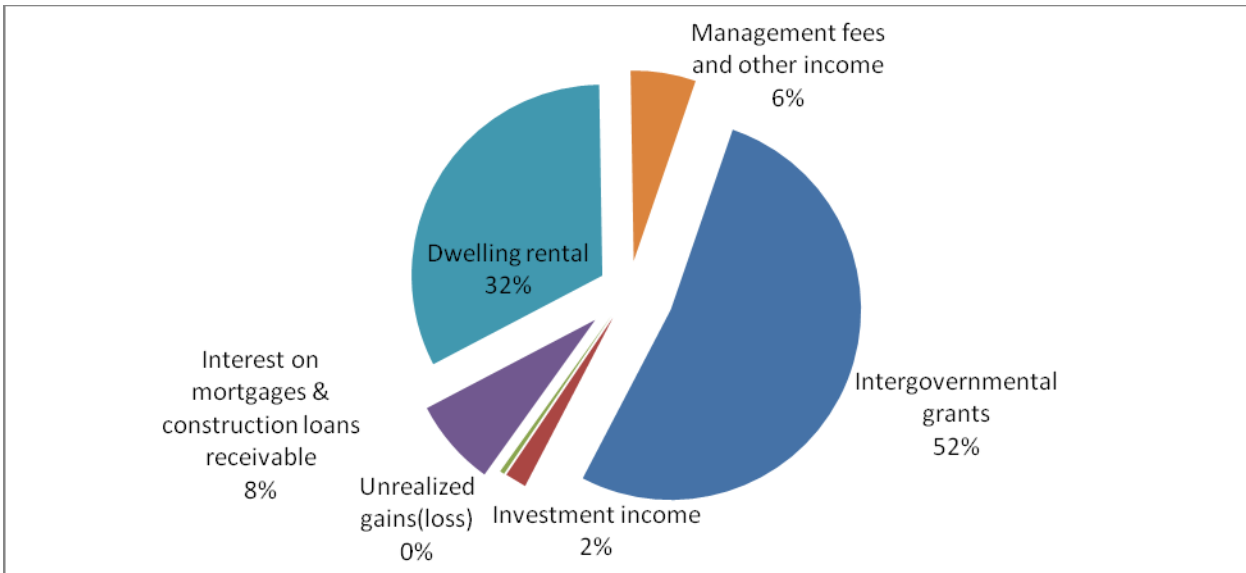
Interest on mortgages receivable decreased by \$1.9 million as a result of the declining interest rate received on investments as well as the decrease in Single and Multifamily Sub-Fund mortgage and construction loan receivable.

Dwelling rental income increased by \$3.2 million as a result of the acquisition of Glenmont Crossing, Westerly, Brooke Park Apartments and the conversion of VPC One and Two Development Corporation. There was also transfer of ownership of MHLF VII and VIII from the Tax Credit portfolio to HOC owned properties.

Management fees and other income decreased by \$7.3 million due to the sale of fewer scattered site units than last year.

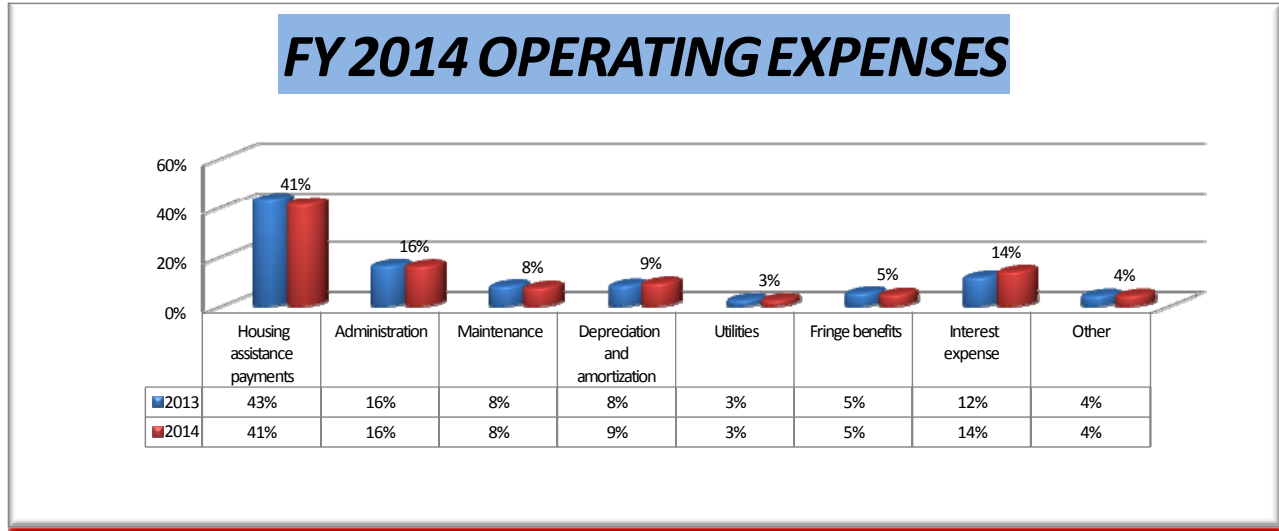
The following chart shows the Commission's sources of revenue as a percentage of total revenue. The primary sources of revenue for the Commission are grants from federal, state, and local governments, and dwelling rentals income.

**FY 2014 SOURCE OF REVENUE**



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

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 2014 as a result of increased utilization and the average payment per voucher.

Administration, maintenance, utilities, fringe benefits and other expenses remained at the same level as in the prior year.

The increase in depreciation and amortization expenses is due to the acquisition of Brooke Park Apartments and the transfer of ownership of MHLP VII and VIII from the Tax Credit portfolio to HOC owned properties.

The decrease in interest expense of \$5.1 million is due to the Single Family Fund and Multifamily Fund as a result of the overall reduction in the outstanding bonds payable.

**Housing Opportunities Commission's Capital Assets**  
**Net of Accumulated Depreciation**  
*(In millions of dollars)*

	<u>2014</u>	<u>2013</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Property and equipment, net of depreciation	\$ 339.4	\$ 338.7	\$ 0.7	0.2%
Capitalized lease (net of amortization)	11.7	12.4	(0.7)	(5.4)%
<b>Total capital assets, net</b>	<u>\$ 351.1</u>	<u>\$ 351.1</u>	<u>\$ 0.0</u>	<u>(5.2)%</u>



**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

Real property is depreciated using a straight line method over a 40 year period. During the year, the Commission acquired assets of approximately \$21.3 million, while disposing of capital assets with a net book value of approximately \$4.0 million. The increase is largely attributable to the acquisition of Brooke Park Apartments and the transfer of ownership of MHLP VII and MHLP VIII. Capital leases are recorded net of amortization, explaining the decrease from the prior year.

During the coming year the Commission will acquire several properties through the U.S. Department of Housing and Urban Development (HUD) from its Rental Assistance Demonstration program (RAD). These properties 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 the 669 scattered site units and 331 units under the RAD 6 Development Corporation.

Note 5 (Capital Assets) provides detailed information about capital asset activity.

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

	<u>2014</u>	<u>2013</u>	<u>Variance (\$)</u>	<u>Variance (%)</u>
Multifamily bonds	\$ 318.9	\$ 328.6	\$ (9.7)	(3.0)%
Single Family Mortgage Purchase Program bonds	260.7	281.4	(20.7)	(7.4)%
Mortgage notes and loans payable	57.3	59.4	(2.1)	(3.5)%
Capitalized lease obligation	20.1	20.3	(0.2)	(1.0)%
Loans payable to Montgomery County	73.6	61.9	11.7	18.9%
<b>Total</b>	<u>\$ 730.6</u>	<u>\$ 751.6</u>	<u>\$ (21.0)</u>	<u>(2.8)%</u>

The following are key elements of the Commission's outstanding debt as of June 30, 2014:

- \$318.9 million of multifamily mortgage bonds outstanding. Sources of payments for the bonds are multifamily mortgages receivable of \$310.1 million and cash, cash equivalents and investments of \$76.8 million.
- \$260.7 million of Single Family mortgage bonds outstanding. Sources of payment for the bonds are Single Family mortgages receivable of \$170.2 million and cash, cash equivalents and investments of \$119.7 million.

The outstanding debt is secured by real estate or by first mortgages on real estate. The exception is the closing cost assistance program.

Note 9 (Bonds, Mortgage Notes, and Loans Payable) provides detailed information about long-term debt activity.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2014**

**Economic Outlook**

The Board of Commissioners, management team and staff have wrestled with a broad range of economic uncertainties in preparing the FY 2015 budget. These uncertainties extend across all levels of public funding. In particular, federal funding cuts from sequestration pose challenges for the operation of the Housing Choice Voucher (HCV) and Public Housing programs.

It is anticipated that in January 2015 the agency will experience a 5% cut affecting all federal funding. In addition to cuts from sequestration, Public Housing funding continues to be targeted in an effort to reduce federal spending. Because of the higher capital expenses associated with Public Housing properties, the Commission views Public Housing funding as less stable than HCV subsidies.

Because of the uncertain outlook for public funding, HOC applied for participation in the Rental Assistance Demonstration (RAD) program and received approval from HUD in early winter 2013 to participate in the program. RAD will allow HOC to take ownership of public housing properties and access private equity to rehabilitate and financially stabilize properties which have long been underfunded in terms of meeting capital needs.

The funding challenges come at a time when the need for affordable housing in Montgomery County is increasing. Numerous regional studies have projected a growing shortage of housing due to job growth, especially in Montgomery County. The job market, while better than national and state averages, still left 5.6% of Montgomery County residents unemployed as of August 2014.

**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 POSITION – BUSINESS-TYPE ACTIVITIES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2014**

	<b>Business-Type Activities</b>	<b>Real Estate Limited Partnership Component Units (FASB)</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Unrestricted:		
Cash and cash equivalents	\$ 72,338,418	\$ 8,779,106
Advances to component units	20,711,330	-
Accounts receivable and other assets	9,607,837	692,100
Accrued interest receivable	4,882,458	-
Mortgage and construction loans receivable, current	9,821,186	-
Total unrestricted current assets	<u>117,361,229</u>	<u>9,471,206</u>
Restricted cash and cash equivalents and investments:		
Restricted cash and cash equivalents	89,500,874	6,932,895
Restricted short-term investments	8,447,990	-
Current bonds payable	33,501,248	-
Customer deposits	4,767,139	679,811
Total restricted cash and cash equivalents and investments	<u>136,217,251</u>	<u>7,612,706</u>
Total current assets	<u>253,578,480</u>	<u>17,083,912</u>
<b>NONCURRENT ASSETS</b>		
Restricted long-term investments	61,706,990	-
Mortgage and construction loans receivable, net of current portion	293,277,416	-
Capital assets, net of depreciation	339,442,454	131,886,414
Leased property under capital lease, net of amortization	11,657,522	-
Other real estate owned	3,197,392	-
Loans receivable from component units	2,291,820	-
Investment in real estate partnerships	1,873,221	-
Deferred charges	-	2,537,863
Total noncurrent assets	<u>713,446,815</u>	<u>134,424,277</u>
<b>TOTAL ASSETS</b>	<u>967,025,295</u>	<u>151,508,189</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accumulated decrease in fair value of hedging derivatives	9,631,526	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 976,656,821</u>	<u>\$ 151,508,189</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2014**

	<u>Business-Type Activities</u>	<u>Real Estate Limited Partnership Component Units (FASB)</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 14,016,614	\$ 5,387,421
Accrued interest payable	2,420,388	3,221,312
Loans payable to Montgomery County - current	7,377,860	-
Mortgage notes and loans payable - current	15,879,236	2,659,257
Capitalized lease obligations - current	180,291	-
Total current unrestricted liabilities	<u>39,874,389</u>	<u>11,267,990</u>
Current liabilities payable from restricted assets:		
Customer deposits payable	4,096,462	631,219
Accrued interest payable	9,903,049	-
Bonds payable - current	23,598,199	-
Total current liabilities payable from restricted assets	<u>37,597,710</u>	<u>631,219</u>
Total current liabilities	<u>77,472,099</u>	<u>11,899,209</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds payable	556,011,354	-
Mortgage notes and loans payable	41,370,999	94,311,642
Loans payable to Montgomery County	66,213,251	12,681,326
Capitalized lease obligations	19,953,420	-
Unearned revenue	11,443,722	15,076
Advances due to primary government	-	22,977,842
Other noncurrent liabilities	-	4,031,094
Escrow and other deposits	13,922,795	1,366,354
Derivative instrument	9,631,526	-
Total noncurrent liabilities	<u>718,547,067</u>	<u>135,383,334</u>
Total liabilities	<u>796,019,166</u>	<u>147,282,543</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,074,021	-
Restricted for:		
Debt service	73,851,115	-
Customer deposits and other	1,349,446	-
Closing cost assistance program	983,196	-
Unrestricted	88,379,877	-
Partner equity	-	4,225,646
Total net position	<u>180,637,655</u>	<u>4,225,646</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 976,656,821</u>	<u>\$ 151,508,189</u>

The accompanying notes are an integral part of the financial statements.

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**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – BUSINESS-TYPE ACTIVITIES**  
**AND DISCREETLY PRESENTED COMPONENT UNITS**  
**Year ended June 30, 2014**

	<b>Business-Type Activities</b>	<b>Real Estate Limited Partnership Component Units (FASB)</b>
<b>OPERATING REVENUES</b>		
Dwelling rental	\$ 65,395,495	\$ 17,829,381
Investment income	3,711,854	-
Unrealized gains (losses) on investments	798,251	-
Interest on mortgage and construction loans receivable	14,979,124	-
Management fees and other income	11,181,613	402,179
U.S. Department of Housing and Urban Development grants:		
Housing Assistance Payments (HAP)	81,090,732	-
HAP administrative fees	5,385,511	-
Other grants	9,601,698	-
State and County grants	9,639,934	-
Total operating revenues	<u>201,784,212</u>	<u>18,231,560</u>
<b>OPERATING EXPENSES</b>		
Housing Assistance Payments	89,425,241	-
Administration	33,983,803	3,111,742
Maintenance	16,845,515	4,161,224
Depreciation and amortization	17,440,751	5,318,516
Utilities	5,309,368	1,600,005
Fringe benefits	11,145,648	989,648
Interest expense	24,157,117	4,029,534
Other expenses	9,054,227	2,668,682
Bad debt expense	-	68,973
Total operating expenses	<u>207,361,670</u>	<u>21,948,324</u>
Operating loss	<u>(5,577,458)</u>	<u>(3,716,764)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment income	420,759	10,779
State and County grants	371,962	-
Interest on mortgage and construction loans receivable	188,841	-
Interest expense	(188,415)	-
Real estate transfer of MHLP VII and MHLP VIII	(774,123)	774,123
Other grants	33,359	21,020
Total nonoperating income	<u>52,383</u>	<u>805,922</u>
Loss before contributions and transfers	<u>(5,525,075)</u>	<u>(2,910,842)</u>
Capital contributions (distributions)	<u>469,697</u>	<u>6,001,641</u>
<b>CHANGE IN NET POSITION</b>	<b>(5,055,378)</b>	<b>3,090,799</b>
<b>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>185,693,033</u>	<u>1,134,847</u>
<b>TOTAL NET POSITION, END OF YEAR, AS RESTATED</b>	<u>\$ 180,637,655</u>	<u>\$ 4,225,646</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES**  
**Year ended June 30, 2014**

	<u>Business-Type Activities</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 51,004,935
Intergovernmental revenue	105,717,875
Investment income received	4,063,747
Mortgage interest received	26,337,922
Mortgage loan principle received	35,152,928
Management fees and other income	7,621,080
Payments to suppliers	(27,344,380)
Payments to employees	(49,635,863)
Interest paid	(23,892,659)
Housing assistance payments	(89,425,241)
Net cash provided by operating activities	<u>39,600,344</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Advances to component units	5,052,306
Issuance of notes receivable	(1,593,150)
Repayment of notes receivable	5,127,506
Investments purchased	(7,478,678)
Investments sold	78,532
Investment income received	420,759
Investment in mortgages receivable	(4,978,748)
Mortgage interest received	145,822
Net cash used in investing activities	<u>(3,225,651)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from sale of bonds	16,304
Intergovernmental revenue	405,321
Bond repayments	(29,215,000)
Net cash used in noncapital financing activities	<u>(28,793,375)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments for property, equipment and committed financing fees	(21,309,860)
Proceeds from sale of property and equipment	-
Proceeds from new mortgage notes and loans payable	3,000,096
Payments on mortgage notes and loans payable	(1,195,209)
Proceeds from new loans payable to Montgomery County	7,768,863
Interest paid on mortgages	(188,415)
Payments on capital lease obligations	(174,875)
Capital contributions and transfers	469,697
Net cash used in capital and related financing activities	<u>(11,629,703)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(4,048,385)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>204,156,064</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 200,107,679</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – BUSINESS-TYPE ACTIVITIES**  
**Year ended June 30, 2014**  
(Continued)

	<b>Business-Type Activities</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR</b>	
<b>TO AMOUNTS IN THE STATEMENT OF NET POSITION</b>	
Current unrestricted cash and cash equivalents	\$ 72,338,418
Restricted cash and cash equivalents:	
Restricted cash and cash equivalents	89,500,874
Current bonds payable	33,501,248
Customer deposits	4,767,139
Total cash and cash equivalents	200,107,679
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH</b>	
<b>PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	(5,577,458)
Adjustments to reconcile operating loss to net cash	
provided by operating activities:	
Depreciation and amortization	17,440,750
Unrealized gains on investments	(798,251)
Loss on disposal on capital assets	3,897,835
Effects of changes in operating assets and liabilities:	
Accounts receivable and other assets	(1,271,015)
Mortgage and construction loans receivables	32,570,179
Accrued interest receivable	420,599
Other real estate owned	(3,197,392)
Deferred charges	1,752,128
Interfund receivable	(3,609,266)
Accounts payable	(805,349)
Deferred revenue	(790,276)
Accrued interest payable	(897,419)
Escrow and other deposits	465,279
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 39,600,344</b>
<b>NONCASH ITEMS</b>	
Interest on capital appreciation bonds	\$ 16,304

The accompanying notes are an integral part of the financial statements.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**BALANCE SHEET - REAL ESTATE LIMITED PARTNERSHIPS**  
**June 30, 2014**

	MHLP VII	MHLP VIII	MHLP IX	MHLP X	Shady Grove	Manchester	Willows	Georgian	Stewartown
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$ -	\$ -	\$ 100	\$ -	\$ 837,515	\$ 132,165	\$ 295,611	\$ 115,746	\$ 168,774
Accounts receivable and other assets	-	-	79,123	58,254	33,645	10,137	43,511	44,693	56,887
Total unrestricted current assets	-	-	79,223	58,254	871,160	142,302	339,122	160,439	225,661
<b>Restricted cash and cash equivalents</b>									
Restricted cash and cash equivalents	-	-	215,751	172,008	787,589	67,451	749,990	491,290	360,353
Customer deposits	-	-	49,593	28,517	55,829	21,247	135,333	96,908	48,903
Total restricted cash and cash equivalents	-	-	265,344	200,525	843,418	88,698	885,323	588,198	409,256
<b>Noncurrent assets</b>									
Property & equipment, net of depreciation	-	-	6,291,035	3,457,043	6,959,857	2,059,290	5,805,194	6,467,868	6,555,988
Deferred charges	-	-	59,718	120,368	141,182	63,515	132,390	113,962	153,004
Total noncurrent assets	-	-	6,350,753	3,577,411	7,101,039	2,122,805	5,937,584	6,581,830	6,708,992
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,695,320</b>	<b>\$ 3,836,190</b>	<b>\$ 8,815,617</b>	<b>\$ 2,353,805</b>	<b>\$ 7,162,029</b>	<b>\$ 7,330,467</b>	<b>\$ 7,343,909</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 548,363	\$ 59,573	\$ 128,608	\$ 353,993	\$ 248,217	\$ 158,538	\$ 94,048
Accrued interest payable	-	-	22,373	15,803	25,512	7,724	-	12,382	16,423
Mortgage notes and loans payable - current	-	-	195,981	107,362	255,872	70,639	421,503	310,341	306,588
Total unrestricted current liabilities	-	-	766,717	182,738	409,992	432,356	669,720	481,261	417,059
<b>Current liabilities payable from restricted assets</b>									
Customer deposit payable	-	-	46,303	28,198	53,189	20,733	134,028	94,995	48,428
Total current liabilities payable from restricted assets	-	-	46,303	28,198	53,189	20,733	134,028	94,995	48,428
<b>Non-current liabilities</b>									
Mortgage notes and loans payable	-	-	5,218,707	4,089,994	5,631,463	1,711,879	3,381,767	3,796,595	3,057,578
Loans payable to Montgomery County	-	-	1,405,500	800,000	282,000	800,000	600,000	1,676,298	2,425,420
Deferred revenue	-	-	-	-	3,960	-	6,339	4,777	-
Interfund payable	-	-	2,345,367	(51,775)	9,480	357,619	(10,487)	14,002	99,691
Other noncurrent liabilities	-	-	1,330,581	774,528	-	-	258,321	295,373	-
Escrow and other deposits	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	10,300,155	5,612,747	5,926,903	2,869,498	4,235,940	5,787,045	5,582,689
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>11,113,175</b>	<b>5,823,683</b>	<b>6,390,084</b>	<b>3,322,587</b>	<b>5,039,688</b>	<b>6,363,301</b>	<b>6,048,176</b>
<b>Partners' Equity</b>	<b>-</b>	<b>-</b>	<b>(4,417,855)</b>	<b>(1,987,493)</b>	<b>2,425,533</b>	<b>(968,782)</b>	<b>2,122,341</b>	<b>967,166</b>	<b>1,295,733</b>
<b>Total Liabilities and Partners' Equity</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,695,320</b>	<b>\$ 3,836,190</b>	<b>\$ 8,815,617</b>	<b>\$ 2,353,805</b>	<b>\$ 7,162,029</b>	<b>\$ 7,330,467</b>	<b>\$ 7,343,909</b>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**BALANCE SHEET – REAL ESTATE LIMITED PARTNERSHIPS**  
**Year ended June 30, 2014**

	Strathmore	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Totals
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	\$ 23,858	\$ 90,103	\$ 264,203	\$ 601,650	\$ 235,817	\$ 1,432,252	\$ 4,483,998	\$ 97,314	\$ 8,779,106
Accounts receivable and other assets	11,253	37,456	44,140	49,074	111,538	73,421	12,104	26,864	692,100
Total unrestricted current assets	<u>35,111</u>	<u>127,559</u>	<u>308,343</u>	<u>650,724</u>	<u>347,355</u>	<u>1,505,673</u>	<u>4,496,102</u>	<u>124,178</u>	<u>9,471,206</u>
Restricted cash and cash equivalents									
Restricted cash and cash equivalents	76,260	348,615	495,356	287,443	347,773	1,959,685	228,336	344,995	6,932,895
Customer deposits	24,548	41,886	30,769	29,852	23,360	50,061	40,552	2,453	679,811
Total restricted cash and cash equivalents	<u>100,808</u>	<u>390,501</u>	<u>526,125</u>	<u>317,295</u>	<u>371,133</u>	<u>2,009,746</u>	<u>268,888</u>	<u>347,448</u>	<u>7,612,706</u>
<b>Noncurrent assets</b>									
Property & equipment, net of depreciation	3,523,103	6,982,752	9,729,138	8,378,766	12,130,442	22,715,106	26,643,183	4,187,649	131,886,414
Deferred charges	-	-	319,326	383,903	376,851	565,788	92,000	15,856	2,537,863
Total noncurrent assets	<u>3,523,103</u>	<u>6,982,752</u>	<u>10,048,464</u>	<u>8,762,669</u>	<u>12,507,293</u>	<u>23,280,894</u>	<u>26,735,183</u>	<u>4,203,505</u>	<u>134,424,277</u>
<b>Total Assets</b>	<u>\$ 3,659,022</u>	<u>\$ 7,500,812</u>	<u>\$ 10,882,932</u>	<u>\$ 9,730,688</u>	<u>\$ 13,225,781</u>	<u>\$ 26,796,313</u>	<u>\$ 31,500,173</u>	<u>\$ 4,675,131</u>	<u>\$ 151,508,189</u>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Accounts payable and accrued liabilities	\$ 12,197	\$ 94,178	\$ 102,894	\$ 85,866	\$ 144,641	\$ 298,960	\$ 2,948,571	\$ 108,774	\$ 5,387,421
Accrued interest payable	24,992	32,988	1,628,796	1,006,124	138,525	109,682	179,988	-	3,221,312
Mortgage notes and loans payable - current	162,066	128,140	152,528	150,590	22,116	375,531	-	-	2,659,257
Total unrestricted current liabilities	<u>199,255</u>	<u>255,306</u>	<u>1,884,218</u>	<u>1,242,580</u>	<u>305,282</u>	<u>784,173</u>	<u>3,128,559</u>	<u>108,774</u>	<u>11,267,990</u>
Current liabilities payable from restricted assets									
Customer deposit payable	22,984	40,939	27,017	26,313	21,354	44,450	20,413	1,875	631,219
Total current liabilities payable from restricted assets	<u>22,984</u>	<u>40,939</u>	<u>27,017</u>	<u>26,313</u>	<u>21,354</u>	<u>44,450</u>	<u>20,413</u>	<u>1,875</u>	<u>631,219</u>
<b>Non-current liabilities</b>									
Mortgage notes and loans payable	4,773,892	7,058,369	9,063,848	8,607,261	6,021,443	16,315,788	14,691,125	891,933	94,311,642
Loans payable to Montgomery County	-	-	1,382,000	-	865,279	1,500,000	-	944,829	12,681,326
Deferred revenue	-	-	-	-	-	-	-	-	15,076
Interfund payable	2,911,050	10,166,144	(22,354)	(166,907)	1,824,709	18,409	5,103,754	379,140	22,977,842
Other noncurrent liabilities	1,372,291	-	-	-	-	-	-	-	4,031,094
Escrow and other deposits	-	-	-	-	-	1,366,354	-	-	1,366,354
Total non-current liabilities	<u>9,057,233</u>	<u>17,224,513</u>	<u>10,423,494</u>	<u>8,440,354</u>	<u>8,711,431</u>	<u>19,200,551</u>	<u>19,794,879</u>	<u>2,215,902</u>	<u>135,383,334</u>
<b>Total Liabilities</b>	<u>9,279,472</u>	<u>17,520,758</u>	<u>12,334,729</u>	<u>9,709,247</u>	<u>9,038,067</u>	<u>20,029,174</u>	<u>22,943,851</u>	<u>2,326,551</u>	<u>147,282,543</u>
<b>Partners' Equity</b>	<u>(5,620,450)</u>	<u>(10,019,946)</u>	<u>(1,451,797)</u>	<u>21,441</u>	<u>4,187,714</u>	<u>6,767,139</u>	<u>8,556,322</u>	<u>2,348,580</u>	<u>4,225,646</u>
<b>Total Liabilities and Partners' Equity</b>	<u>\$ 3,659,022</u>	<u>\$ 7,500,812</u>	<u>\$ 10,882,932</u>	<u>\$ 9,730,688</u>	<u>\$ 13,225,781</u>	<u>\$ 26,796,313</u>	<u>\$ 31,500,173</u>	<u>\$ 4,675,131</u>	<u>\$ 151,508,189</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF OPERATIONS AND PARTNERS' EQUITY – REAL ESTATE LIMITED PARTNERSHIPS**  
**June 30, 2014**

	<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>	<u>Georgian</u>	<u>Stewartown</u>
<b>Operating revenues:</b>									
Dwelling rental	\$ 240,916	\$ 326,085	\$ 1,525,462	\$ 1,014,312	\$ 1,989,100	\$ 649,585	\$ 1,804,681	\$ 1,409,583	\$ 1,327,415
Management fees and other income	-	-	280	17,782	3,345	468	103,663	57,541	8,304
Total operating revenues	<u>240,916</u>	<u>326,085</u>	<u>1,525,742</u>	<u>1,032,094</u>	<u>1,992,445</u>	<u>650,053</u>	<u>1,908,344</u>	<u>1,467,124</u>	<u>1,335,719</u>
<b>Operating expenses:</b>									
Administration	30,275	51,496	135,265	92,772	271,576	81,647	328,338	309,220	237,962
Maintenance	56,882	93,403	483,878	348,388	447,887	129,775	425,430	381,626	314,753
Depreciation and amortization	44,375	70,421	391,052	291,830	377,107	146,855	278,416	333,691	373,946
Utilities	1,543	-	9,679	1,987	124,473	146,530	304,697	105,240	98,238
Fringe benefits	8,229	13,966	82,296	56,316	110,841	28,438	119,514	122,190	110,361
Interest expense	16,265	-	350,610	250,700	312,211	94,304	-	113,850	42,416
Other	111,847	132,845	442,013	210,734	391,715	71,493	116,254	184,173	158,106
Bad debt expense	5,204	252	9,719	4,366	-	963	1,418	3,305	627
Total operating expenses	<u>274,620</u>	<u>362,383</u>	<u>1,904,512</u>	<u>1,257,093</u>	<u>2,035,810</u>	<u>700,005</u>	<u>1,574,067</u>	<u>1,553,295</u>	<u>1,336,409</u>
Operating income (loss)	<u>(33,704)</u>	<u>(36,298)</u>	<u>(378,770)</u>	<u>(224,999)</u>	<u>(43,365)</u>	<u>(49,952)</u>	<u>334,277</u>	<u>(86,171)</u>	<u>(690)</u>
<b>Nonoperating revenues (expense)</b>									
Investment income	(123)	(184)	329	299	1,370	118	1,363	963	363
Real estate transfer of MHLP VII and MHLP VIII	669,808	104,315	-	-	-	-	-	-	-
Other grants	2,317	12,919	2,984	2,800	-	-	-	-	-
Total nonoperating income (loss)	<u>672,002</u>	<u>117,050</u>	<u>3,313</u>	<u>3,099</u>	<u>1,370</u>	<u>118</u>	<u>1,363</u>	<u>963</u>	<u>363</u>
Capital contributions (distributions)	-	-	-	-	(106,954)	-	-	-	-
Change in partners' equity	<u>638,298</u>	<u>80,752</u>	<u>(375,457)</u>	<u>(221,900)</u>	<u>(148,949)</u>	<u>(49,834)</u>	<u>335,640</u>	<u>(85,208)</u>	<u>(327)</u>
Partners' equity, beginning of year	<u>(638,298)</u>	<u>(80,752)</u>	<u>(4,042,398)</u>	<u>(1,765,593)</u>	<u>2,574,482</u>	<u>(918,948)</u>	<u>1,786,701</u>	<u>1,052,374</u>	<u>1,296,060</u>
Partners' equity, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,417,855)</u>	<u>\$ (1,987,493)</u>	<u>\$ 2,425,533</u>	<u>\$ (968,782)</u>	<u>\$ 2,122,341</u>	<u>\$ 967,166</u>	<u>\$ 1,295,733</u>

The accompanying notes are an integral part of the financial statements.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF OPERATIONS AND PARTNERS' EQUITY – REAL ESTATE LIMITED PARTNERSHIPS**  
**June 30, 2014**

	Strathmore	Metropolitan	Spring Garden	Barclay	Wheaton Metro	Forest Oak	Tanglewood/Sligo	Hampden Lane	Totals
<b>Operating revenues:</b>									
Dwelling rental	\$ 605,610	\$ 710,846	\$ 1,007,341	\$ 1,002,178	\$ 667,461	\$ 2,575,289	\$ 792,866	\$ 180,651	\$ 17,829,381
Management fees and other income	1,968	19,396	1,707	16,919	12,903	54,184	21,717	82,002	402,179
<b>Total operating revenues</b>	<b>607,578</b>	<b>730,242</b>	<b>1,009,048</b>	<b>1,019,097</b>	<b>680,364</b>	<b>2,629,473</b>	<b>814,583</b>	<b>262,653</b>	<b>18,231,560</b>
<b>Operating expenses:</b>									
Administration	107,864	231,929	179,384	137,280	181,734	421,527	231,227	82,246	3,111,742
Maintenance	164,042	264,969	161,399	144,724	95,935	346,792	255,947	45,394	4,161,224
Depreciation and amortization	277,271	318,482	401,665	466,721	578,835	591,084	227,258	149,507	5,318,516
Utilities	52,464	170,816	72,284	76,986	34,783	131,448	237,845	30,992	1,600,005
Fringe benefits	24,871	44,546	23,191	23,624	35,232	82,455	87,143	16,435	989,648
Interest expense	381,826	400,238	507,899	448,084	217,496	841,241	52,394	-	4,029,534
Other	71,117	127,481	92,989	189,683	79,141	220,470	47,966	20,655	2,668,682
Bad debt expense	4,255	991	18,189	3,547	-	-	12,010	4,127	68,973
<b>Total operating expenses</b>	<b>1,083,710</b>	<b>1,559,452</b>	<b>1,457,000</b>	<b>1,490,649</b>	<b>1,223,156</b>	<b>2,635,017</b>	<b>1,151,790</b>	<b>349,356</b>	<b>21,948,324</b>
<b>Operating income (loss)</b>	<b>(476,132)</b>	<b>(829,210)</b>	<b>(447,952)</b>	<b>(471,552)</b>	<b>(542,792)</b>	<b>(5,544)</b>	<b>(337,207)</b>	<b>(86,703)</b>	<b>(3,716,764)</b>
<b>Nonoperating revenues (expense)</b>									
Investment income	(589)	112	976	515	893	1,855	2,391	128	10,779
Real estate transfer of MHLP VII and MHLP VIII	-	-	-	-	-	-	-	-	774,123
Other grants	-	-	-	-	-	-	-	-	21,020
<b>Total nonoperating income (loss)</b>	<b>(589)</b>	<b>112</b>	<b>976</b>	<b>515</b>	<b>893</b>	<b>1,855</b>	<b>2,391</b>	<b>128</b>	<b>805,922</b>
Capital contributions (distributions)	-	-	-	-	-	-	6,108,595	-	6,001,641
<b>Change in partners' equity</b>	<b>(476,721)</b>	<b>(829,098)</b>	<b>(446,976)</b>	<b>(471,037)</b>	<b>(541,899)</b>	<b>(3,689)</b>	<b>5,773,779</b>	<b>(86,575)</b>	<b>3,090,799</b>
<b>Partners' equity, beginning of year</b>	<b>(5,143,729)</b>	<b>(9,190,848)</b>	<b>(1,004,821)</b>	<b>492,478</b>	<b>4,729,613</b>	<b>6,770,828</b>	<b>2,782,543</b>	<b>2,435,155</b>	<b>1,134,847</b>
<b>Partners' equity, end of year</b>	<b>\$ (5,620,450)</b>	<b>\$ (10,019,946)</b>	<b>\$ (1,451,797)</b>	<b>\$ 21,441</b>	<b>\$ 4,187,714</b>	<b>\$ 6,767,139</b>	<b>\$ 8,556,322</b>	<b>\$ 2,348,580</b>	<b>\$ 4,225,646</b>

The accompanying notes are an integral part of the financial statements.

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**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 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 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;

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Description of the Commission (continued)**

- 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 Sub-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. The blended component units report on a June 30 year end.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS**

**Alexander House Development Corporation** - Owns and operates 311 units located in Silver Spring, Maryland, to serve market and low-to-moderate income residents.

**Barclay Development Corporation** – Owns and operates 76 condominium units located in Bethesda, Maryland, to serve market and low-to-moderate income residents. The units are subject to a ground lease held by Montgomery County.

**Chevy Chase Development Corporation** – Owns and operates 68 garden style apartment units located in Chevy Chase, Maryland, to serve market and low-to-moderate income residents.

**Dale Drive Development Corporation** – Owns and operates 10 apartment units located in Silver Spring, Maryland, to provide 8 units to chronically homeless adults of Montgomery County. The tenant related operation of the project is the responsibility of the Montgomery county coalition for the homeless (MCCH).

**Glenmont Crossing Development Corporation** – Owns and operates 97 townhouse units located in Wheaton, Maryland to serve market and low-to-moderate income residents.

**Glenmont Westerly Development Corporation** – Owns and operates 102 garden style apartment units located in Wheaton, Maryland to serve market and low-to-moderate income residents.

**Magruder’s Discovery Development Corporation** - Owns and operates 134 apartment units located in Bethesda, MD to serve low income families and receives federal rent subsidies under a Project Based Rental Assistance Section 8 Housing Assistance Payment (HAP) contract with the HUD.

**The Metropolitan Development Corporation** - Owns and operates 216 luxury condominium units, a retail rental area, a public plaza and metro office space, and operates the top level parking garage of the building, located in Bethesda, Maryland to serve market and low-to-moderate income residents.

**Montgomery Arms Development Corporation** – Owns and operates 129 apartment units located in Silver Spring, Maryland. The rental units serve 129 market and low-to-moderate income residents.

**Oaks at Four Corner Development Corporation** – Owns and operates 120 apartment units located in Silver Spring, Maryland, to serve market and low-to-moderate income residents and rentals to persons who are 62 years of age or older or who are disabled.

**Paddington Square Development Corporation** – Owns and operates 165 garden style apartment units located in Silver Spring, Maryland to serve market and low-to-moderate income residents.



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (CONTINUED)**

**Pooks Hill Development Corporation** – Owns and operates 189 apartment units located in Bethesda, Maryland and serves market and low-to-moderate income residents.

**Scattered Site One Development Corporation** - Owns and operates 190 units, located in various parts of Montgomery County, Maryland and serves low- to-moderate income residents.

**Scattered Site Two Development Corporation** - Owns and operates 297 units, located in various parts of Montgomery County, Maryland and serves low-to-moderate income residents.

**Sligo Hill Development Corporation** – Owns and operates 23 units, located in various parts of Montgomery County, Maryland and serves low-to-moderate income residents.

**TPM Development Corporation** – Owns and Operates 190 apartment units and townhouses, the properties known as 59 MPDUs, Pomander Court and Timberlawn, located in Rockville, Maryland and serves market and 76 units to low-to-moderate income residents.

**VPC One Development Corporation** - Owns and operates 390 formerly public housing scattered site units, located in various parts of Montgomery County, Maryland approved for disposition by HUD to serve persons of eligible income.

**VPC Two Development Corporation** - Owns and operates 279 formerly public housing scattered site units, located in various parts of Montgomery County, Maryland approved for disposition by HUD to serve persons of eligible income.

**Wheaton Metro Development Corporation** – Owns and operates 120 apartment units, 2 retail spaces and 1 parking garage to serve market and low- to-moderate income residents.

**DISCRETELY PRESENTED COMPONENT UNITS**

**Real Estate Limited Partnerships.** The Commission is the managing general partner in 17 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. Fifteen of the partnerships have calendar year ends and two have a June 30

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

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, 2014. Separate financial statements for the individual limited partnerships can be obtained from the Commission. All limited partnerships follow FASB pronouncements and have not been converted for purposes of these financial statements.

The following limited partnerships do not qualify for blending and are, therefore, classified as discretely 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)** – Owns and operates 35 moderately priced dwelling units located in various parts of Montgomery County, Maryland to be operated as rental housing for low and moderate income families. This component unit was transferred to the Commission on July 1, 2014.

**Montgomery Homes Limited Partnership VIII (MHLP VIII)** – Owns and operates 49 moderately priced dwelling units located in various parts of Montgomery County, Maryland to be operated as rental housing for low and moderate income families. This component unit was transferred to the Commission on July 1, 2014.

**Montgomery Homes Limited Partnership IX (MHLP IX)** – Owns and operates 116 moderately priced dwelling units located in various parts of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Montgomery Homes Limited Partnership X (MHLP X)** – Owns and operates 75 moderately priced dwelling units located in various parts of Montgomery County, Maryland to be operated as rental housing for low and moderate income families.

**Shady Grove Apartments Limited Partnership** – 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** – 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** – 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.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)**

**MV Affordable Housing Associates Limited Partnership** – 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.

**Barclay One Associates Partnership** – Owns and operates 81 rental unit apartments for low and moderate income families located in Bethesda, Montgomery County, Maryland.

**Strathmore Court Associates Limited Partnership** – Owns and operates 51 rental unit apartments for low and moderate income families located in Rockville, Montgomery County, Maryland. The partnership reports on a June 30 year end.

**Metropolitan of Bethesda Limited Partnership** – Owns and operates 92 luxury residential apartment units for low and moderate income families in Bethesda, Montgomery County, Maryland. The partnership reports on a June 30 year end.

**Spring Garden One Associates Limited Partnership** – 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.

**Forest Oak Towers Limited Partnership** – 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** – Owns and operates 195 unit rental unit apartments for low income families located in Gaithersburg, Montgomery County, Maryland.

**Hampden Lane Limited Partnership** – Owns and operates 12 rental unit apartments for low and moderate income families located in Bethesda, Montgomery County, Maryland.

**Tanglewood-Sligo Hills** – Owns and operates 132 rental unit apartments for low and moderate income families located in Silver Spring, Montgomery County, Maryland.

**Wheaton Metro Limited Partnership** – Owns and operates 53 rental unit apartments for low income families located in Wheaton, Montgomery County, Maryland.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(c) Basis of Accounting**

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

- *General Sub-Fund* – Includes all operations with the exception of public-funded programs, opportunity housing programs and bond-funded activities. This sub-fund also includes any private grants received and the development costs of tax credit partnerships.
- *Opportunity Housing Sub-Fund* – Includes all operating, capital improvements and capital development related to the Commission's opportunity housing portfolio.
- *Public Sub-Fund* – Includes all funds the Commission receives from federal, state and local government agencies, and related activities.
- *Multifamily Sub-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 Sub-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 *non-operating* 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 Sub-Funds are dwelling rental incomes, management fees and other income. The principal operating revenues of the Public Sub-Fund are intergovernmental grants. The principal operating revenues of the Single Family and Multifamily Sub-Funds are investment interest and interest on mortgage and construction loans receivable. Operating expenses for the General, Opportunity Housing and Public Sub-Funds include administrative, maintenance, depreciation and amortization, utilities, and other expenses. Interest expense is included as an operating expense of the Opportunity Housing Sub-Fund. Housing assistance payments are considered operating expenses of the Public Sub-Fund. The principal operating expenses of the Single Family and Multifamily Sub-Funds are interest and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP). The Commission is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate GASB and AICPA guidance into GASB authoritative literature.

**Use of Estimates in Preparing Financial Statements**

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 Sub-Fund, the Public Sub-Fund, and the Opportunity Housing Sub-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 Sub-Fund and the Single Family Mortgage Purchase Program Sub-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, 2014, there were no reserves for loan losses; however, the Commission has experienced a decrease in loan foreclosures. Note 4, 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 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.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(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, 2014 is \$118,912,878 which is collateralized primarily by the underlying properties. As of June 30, 2014, the Commission had \$9,607,896 of mortgage insurance premium deposits on hand for any future loss.

**(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.

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.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(i) Bond Discounts and Premiums**

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

**(j) Cash Equivalents**

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

**(k) 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, 2014 amounted to \$1,689,771 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.

**(l) Net Position**

Net position is displayed in three components as follows:

*Net investment in capital assets* – this component of net position consists of all capital assets, reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – this component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

*Unrestricted net position* – this component of net position consists of resources that do not meet the definition of *net investment in capital assets* or *restricted net position*.

It is the Commission's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(m) New Accounting Pronouncements**

In fiscal year 2014, the Commission implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement improves financial reporting by clarifying the appropriate use of the financial statement elements' deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The cumulative effect of the accounting change in connection with the implementation of GASB No. 65 was a reduction in net position of \$9,701,282 as of the beginning of 2014 (see Note 2). In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will enhance comparability of financial statements among governments by requiring consistent reporting by both governments that extend nonexchange financial guarantees and those governments that receive nonexchange financial guarantees, effective for reporting periods beginning after June 15, 2013. GASB 70 was determined to have no effect on the Commission.

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES**

In accordance with GASB No. 65, which was adopted effective July 1, 2013, the Commission restated the ending net position at June 30, 2013 in connection with unamortized bond issuance costs. According to GASB No. 65, debt issuance costs are recognized as expenses in the period incurred, rather than as deferred costs and subsequently amortized. The effect of this change in accounting principle is as follows:

Net position, June 30, 2013, as previously stated	\$ 195,394,315
Adjustments for GASB No. 65	<u>(9,701,282)</u>
<b>Net position, June 30, 2013</b>	<b><u>\$ 185,693,033</u></b>

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Business-Type Activities**

**(a) Cash**

The Commission's cash balances as of June 30, 2014 were entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

	<b>Carrying Amount</b>	<b>Bank Balances</b>	<b>Petty Cash</b>
Cash:			
General Sub-Fund	\$ 14,004,624	\$ 14,001,021	\$ 3,603
Opportunity Housing Sub-Fund	45,489,952	45,481,979	7,973
Public Sub-Fund	<u>815,111</u>	<u>813,811</u>	<u>1,300</u>
<b>Total cash</b>	<b><u>\$ 60,309,687</u></b>	<b><u>\$ 60,296,811</u></b>	<b><u>\$ 12,876</u></b>



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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

***(b) Cash Equivalents & Investments***

The General Sub-Fund cash and cash equivalents balance at June 30, 2014 includes \$726,400 of cash and cash equivalents restricted for closing cost programs. The Opportunity Housing Sub-Fund cash and cash equivalents balance at June 30, 2014 includes \$26,624,252 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 Sub-Fund cash and cash equivalent balance includes \$3,284,306 as of June 30, 2014, of security deposits, housing choice voucher funding and home ownership reserves restricted in accordance with the HUD regulations.

*Interest Rate Risk.* The Commission's investment policy which applies to the General, Public and Opportunity Housing Sub-Funds 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 and Single Family Sub-Funds 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 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, Public and the Opportunity Housing Sub-Funds permit the following investment types: U.S. Government and federal agencies; repurchase agreements; bankers 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 Sub-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.

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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

***(b) Cash Equivalents & Investments***

The Single Family and Multifamily Sub-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, Opportunity Housing and Public Sub-Funds 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, 2014 was P-1.

Amounts held in money market funds and investment agreements within the Multifamily and Single Family Sub-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, 2014, the Commission held investments in agency securities which were not collateralized but were rated A, AA, Aa2, and AAA.

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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

***(b) Cash Equivalents & Investments (continued)***

As of June 30, 2014 the Commission had the following cash, cash equivalents, investments and maturities:

<u>Cash Equivalents</u>	<u>Fair Value</u>	<u>Ratings</u>
<b>Cash Equivalents</b>		
General Sub-Fund:		
Money Market Accounts	\$ 16,997,953	N/A
Opportunity Housing Sub-Fund:		
Investment in Maryland Local Government Investment Pool	281,611	AAAm
Money Market Accounts	14,874,530	N/A
Public Sub-Fund:		
Investment in Maryland Local Government Investment Pool	3,819,010	AAAm
Money Market Accounts	3,798,774	N/A
Multifamily Sub-Fund:		
Money Market Accounts	33,361,044	N/A
Single Family Sub-Fund:		
Money Market Accounts	<u>66,665,070</u>	N/A
<b>Total cash equivalents</b>	<u><u>\$ 139,797,992</u></u>	
<b>Short-term investments</b>		
Multifamily Sub-Fund:		
GNMA Pool	\$ 7,050,104	AAA
Federal Farm Credit Banks	677,823	AAA
Single Family Sub-Fund:		
GNMA Pass-through Certificates	479,462	AAA
US Treasuries	<u>240,601</u>	N/A
<b>Total short-term investments</b>	<u><u>\$ 8,447,990</u></u>	

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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

**(b) Cash Equivalents & Investments (continued)**

Long-Term Investments	Fair Value	1-5 Years	6-10 Years	Greater Than 10 Years	Rating
<b>Long-term investments</b>					
Multifamily Sub-Fund:					
US Treasuries	\$ 2,418,199	\$ -	\$ 2,084,059	\$ 334,140	AAA
Fannie Mae	3,111,846	-	-	3,111,846	AAA
Freddie Mac	890,412	-	-	890,412	AAA
Federal Farm Credit Banks	887,196	-	-	887,196	AAA
Federal Home Loan Banks	902,160	-	-	902,160	AAA
Israel ST Bonds	448,982	-	448,982	-	AAA
Federal Home Loan Mortgage	901,958	-	-	901,958	AAA
Bank One Investment Agreement	591,525	-	-	591,525	AA/Aa2
Single Family Sub-Fund:					
Federal Farm Credit Banks	6,732,184	-	-	6,732,184	AAA
Federal Home Loan Banks	9,090,705	-	-	9,090,705	Aaa
Federal Home Loan Mtg Corp	1,681,703	-	-	1,681,703	AAA
Fannie Mae	1,034,913	-	-	1,034,913	AAA
GNMA Pass-through certificates	15,864,460	-	-	15,864,460	AAA
Solomon Repurchase Agreement	2,345,800	-	-	2,345,800	AAA
US Treasuries	8,246,366	-	-	8,246,366	N/A
Tennessee Valley Authority	<u>6,558,581</u>	-	-	6,558,581	Aaa
Total long-term investments	<u>61,706,990</u>				
Cash balances	<u>60,309,687</u>				
<b>Total</b>	<b><u>\$ 270,262,659</u></b>				
Reconciliation of cash, cash equivalents and investments to amounts in the statement of net position:					
Current unrestricted cash and cash equivalents	\$ 72,338,418				
Restricted cash and cash equivalents	89,500,874				
Restricted short-term investments	8,447,990				
Restricted cash and cash equivalents for current liabilities	33,501,248				
Customer deposits	4,767,139				
Noncurrent restricted assets	<u>61,706,990</u>				
<b>Total</b>	<b><u>\$ 270,262,659</u></b>				

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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)**

***(c) Real Estate Limited Partnership Component Units***

The Real Estate Limited Partnership Component unit cash and cash equivalents balance as of December 31, 2014 were as follows:

	<b>Carrying Amount</b>	<b>Bank Balances</b>
<b>Cash</b>	\$ 8,080,434	\$ 8,078,109
	<b>Fair Value</b>	<b>Rating</b>
<b>Cash Equivalents</b>		
Investment in Maryland Local Government Investment Pool	\$ 1,648,630	AAAm
Money Market Accounts	6,662,748	N/A
<b>Total cash, cash equivalents and investments</b>	<b>\$ 16,391,812</b>	
Reconciliation of cash and cash equivalents to amounts in the statement of net position:		
Current unrestricted cash and cash equivalents	\$ 8,779,106	
Restricted cash and cash equivalents for current liabilities	6,932,895	
Restricted cash and cash equivalents	679,811	
<b>Total</b>	<b>\$ 16,391,812</b>	

All cash equivalents have maturities of three months or less. The Real Estate Limited Partnership Component Units follow the Commission’s investment policy.

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**NOTE 4 – 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, 2014 consisted of the following:

Description	Interest Rate	Balance
<b>General Sub-Fund</b>		
Component unit loans	-	\$ 1,382,949
Closing Cost Assistance Loans	5.00%	<u>2,318,751</u>
	Subtotal	<u>3,701,700</u>
<b>Opportunity Housing Sub-Fund</b>		
Home-Ownership Assistance Loan Fund (HALF)	4.50 to 6.50%	15,122
Rental Assistance Security Deposit Loan	-	9,694
Metropolitan of Bethesda Limited Partnership	-	1,142,000
Strathmore Court Associates Limited Partnership	-	1,000,000
Barclay One LP & Development Corporation	-	2,891,404
Spring Garden One Associates Limited Partnership	-	3,263,952
Tanglewood/Sligo Limited Partnership	-	329,801
Hampden Lane Limited Partnership	-	138,281
Sligo Development Corporation	-	1,199,402
Tanglewood Apartments	-	<u>1,991,008</u>
	Subtotal	<u>11,980,664</u>
<b>Multifamily Sub-Fund</b>		
Landings Edge	4.95%	4,994,216
Strathmore Court at White Flint - A	7.62%	3,935,958
Manchester	5.20%	1,747,656
Shady Grove	5.20%	5,761,057
The Willows	5.20%	3,303,105
Stewartown	6.20%	2,830,255
Tax Credit X	6.20%	3,005,861
Georgian Court	6.20%	3,879,256
Dring's Reach	6.02%	5,771,940
Forest Oak Towers	4.93%	15,831,985
Silver Spring House	6.35%	1,759,866
Tax Credit 9 Pond Ridge	6.30%	1,538,913
Tax Credit 9 MPDUs	6.30%	2,626,148
Charter House	6.02%	12,284,976
Rockville Housing	5.21%	3,552,070
The Barclay	4.55%	5,792,009
Spring Gardens	4.55%	5,866,547
Metropolitan Tax Credit	6.38%	6,209,509
Argent - A-2	3.92%	12,525,000
MetroPointe LP	6.50%	2,868,994
Ring House	6.10%	<u>13,796,701</u>
	Subtotal	119,882,022
<b>Single Family Sub-Fund</b>		
Mortgage loans receivable, net	4.27 to 13.45%	<u>167,534,216</u>
<b>Total</b>		<u>\$ 303,098,602</u>

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**NOTE 4 – MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2014, the amounts available or committed for additional advances or new loans are \$122,727 and \$17,516,436 for the Multifamily Sub-Fund and the Single Family Sub-Fund, respectively.

Included in the mortgage and construction loans receivable balance of the General Sub-Fund at June 30, 2014 are interfund mortgage loans receivable from the Opportunity Housing Sub-Fund \$10,597,022, the Public Fund \$369,179 and the Multifamily Bond Sub-Fund \$6,444,800 which have been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$523,776 for the year ended June 30, 2014 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Opportunity Housing Sub-Fund at June 30, 2014 are interfund mortgage loans receivables from the OHRF Fund (internal capital fund) amounting to \$10,622,047 and interfund mortgage loans receivable from the General Sub-Fund amounting to \$53,996 and the Public Sub-Fund \$5,002, which have been eliminated in the accompanying financial statements. The related interest revenue, amounting to \$4,380 for the year ended June 30, 2014 has also been eliminated.

Included in the mortgage and construction loans receivable balance of the Multifamily Sub-Fund are interfund mortgage loans receivable from the Opportunity Housing Sub-Fund amounting to \$188,760,047 as of June 30, 2014, which have been eliminated. The related interest revenue, amounting to \$9,811,832 for the year ended June 30, 2014 has also been eliminated.

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

**Single Family Sub-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 2014, the Commission experienced a decrease in the number of Single Family mortgage loans in foreclosure and other real estate owned status. As of June 30, 2014, approximately \$6.3 million Single Family mortgage loans were in various stages of the loan foreclosure status. An additional \$3.2 million were in other real estate owned status.

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**NOTE 4 – MORTGAGE AND CONSTRUCTION LOANS RECEIVABLE (CONTINUED)**

**Single Family Sub-Fund (continued)**

Management takes into consideration the potential for loan losses based on the number of loans in foreclosure and other real estate owned 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 other real estate owned by type of mortgage loan as of June 30, 2014.

Status	Principal FHA	Interest Receivable	Principal Conventional	Interest Receivable	Total
Foreclosure	\$ 2,731,748	\$ 90,701	\$ 3,204,079	\$ 227,239	\$ 6,253,767
Other real estate owned	<u>998,452</u>	<u>54,987</u>	<u>1,933,312</u>	<u>210,641</u>	<u>3,197,392</u>
<b>Total</b>	<u>\$ 3,730,200</u>	<u>\$ 145,688</u>	<u>\$ 5,137,391</u>	<u>\$ 437,880</u>	<u>\$ 9,451,159</u>
Total Single Family Mortgage loans outstanding as of June 30, 2014					<u>\$ 167,534,216</u>
Percentage of loans in foreclosure status to outstanding mortgage loans					5.64%



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**NOTE 5 – CAPITAL ASSETS**

**(a) Capital Assets by Business-Type Activities**

The Commission's capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Transfer In / Out	Acc. Depr.	Ending Balance
<b>Land</b>						
General Sub-Fund	\$ 3,447,287	\$ -	\$ (1,200,849)	\$ -	\$ -	\$ 2,246,438
Opportunity Housing Sub-Fund	43,586,915	3,791,137	(144,190)	6,270,344	-	53,504,206
Public Sub-Fund	<u>16,167,956</u>	<u>-</u>	<u>-</u>	<u>(6,270,344)</u>	<u>-</u>	<u>9,897,612</u>
Total land	<u>63,202,158</u>	<u>3,791,137</u>	<u>(1,345,039)</u>	<u>-</u>	<u>-</u>	<u>65,648,256</u>
<b>Site improvements:</b>						
Public Sub-Fund	<u>12,435</u>	<u>-</u>	<u>-</u>	<u>(517)</u>	<u>(4,000)</u>	<u>7,918</u>
Total site improvements, net	<u>12,435</u>	<u>-</u>	<u>-</u>	<u>(517)</u>	<u>(4,000)</u>	<u>7,918</u>
<b>Building and improvements:</b>						
General Sub-Fund	2,500,579	5,040	-	-	(272,048)	2,233,571
Opportunity Housing Sub-Fund	216,849,927	6,047,975	(201,572)	18,787,354	(10,007,400)	231,476,284
Public Sub-Fund	<u>36,785,699</u>	<u>-</u>	<u>-</u>	<u>(10,230,603)</u>	<u>(5,298,474)</u>	<u>21,256,622</u>
Total building and improvements, net	<u>256,136,205</u>	<u>6,053,015</u>	<u>(201,572)</u>	<u>8,556,751</u>	<u>(15,577,922)</u>	<u>254,966,477</u>
<b>Furniture and equipment:</b>						
General Sub-Fund	1,413,116	1,066,253	(131,475)	-	(396,024)	1,951,870
Opportunity Housing Sub-Fund	4,316,114	380,492	(1,316)	77,243	(577,509)	4,195,024
Public Sub-Fund	<u>70,054</u>	<u>-</u>	<u>-</u>	<u>(23,953)</u>	<u>(35,026)</u>	<u>11,075</u>
Total furniture and equipment, net	<u>5,799,284</u>	<u>1,446,745</u>	<u>(132,791)</u>	<u>53,290</u>	<u>(1,008,559)</u>	<u>6,157,969</u>
<b>Construction in progress:</b>						
General Sub-Fund	68,010	159,207	-	-	-	227,217
Opportunity Housing Sub-Fund	5,503,553	8,798,299	(2,331,616)	(6,509,844)	-	5,460,392
Public Sub-Fund	<u>8,030,741</u>	<u>1,049,565</u>	<u>(6,401)</u>	<u>(2,099,680)</u>	<u>-</u>	<u>6,974,225</u>
Total construction in progress	<u>13,602,304</u>	<u>10,007,071</u>	<u>(2,338,017)</u>	<u>(8,609,524)</u>	<u>-</u>	<u>12,661,834</u>
<b>Total capital assets, net</b>	<u>\$ 338,752,386</u>	<u>\$ 21,297,968</u>	<u>\$ (4,017,419)</u>	<u>\$ -</u>	<u>\$ (16,590,481)</u>	<u>\$ 339,442,454</u>

Included in operating properties for the Opportunity Housing Sub-Fund is an interfund elimination for interest paid to the Multifamily Bond Sub-Fund amounting to \$8,626,644 as of June 30, 2014, which was capitalized during construction of the property.

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

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

**(b) Reconciliation of Net Investment in Capital Assets**

**Net investment in capital assets**

Land	\$ 65,648,256
Construction in progress	12,661,834
Building and improvements, net of depreciation	254,974,395
Furniture and equipment, net of depreciation	6,157,969
Less: related bonds, mortgages and notes payable	<u>(314,892,244)</u>
	<u>24,550,210</u>
Leased property under capital lease	11,657,522
Capitalized lease obligations	<u>(20,133,711)</u>
	<u>(8,476,189)</u>
<b>Total net investment in capital assets</b>	<u><u>\$ 16,074,021</u></u>

**(c) Capital Lease**

	<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>
<b>Fund:</b>					
<i>General Sub-Fund:</i>					
Capital lease obligation	\$ 348,696	\$ -	\$ 171,761	\$ 176,935	\$ 176,935
Total capital lease obligation - General Sub-Fund	<u>348,696</u>	<u>-</u>	<u>171,761</u>	<u>176,935</u>	<u>176,935</u>
<i>Opportunity Housing Sub-Fund:</i>					
Capital lease obligation	<u>19,959,890</u>	<u>-</u>	<u>3,114</u>	<u>19,956,776</u>	<u>3,356</u>
Total capital lease obligation - Opportunity Housing Sub-Fund	<u>19,959,890</u>	<u>-</u>	<u>3,114</u>	<u>19,956,776</u>	<u>3,356</u>
<b>Total capital lease obligations, net</b>	<u><u>\$ 20,308,586</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 174,875</u></u>	<u><u>\$ 20,133,711</u></u>	<u><u>\$ 180,291</u></u>

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

**(c) Capital Lease (continued)**

In September 2010, the Commission entered into a Master Equipment Lease Purchase Agreement with Bank of America Public Capital Corp for \$750,000 with an interest rate of 2.99%. The lease agreement is now owned by Huntington National Bank. 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 Sub-Fund capital lease obligation as of June 30, 2014.

	<b>Future Minimum Payments</b>
<b>Year ending June 30,</b>	
2015	\$ 180,913
Total payments	180,913
Less interest	(3,978)
	176,935
Less: current portion	(176,935)
<b>Long-term portion</b>	<b>\$ -</b>

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

**(c) Capital Lease (continued)**

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 Sub-Fund capital lease obligation as of June 30, 2014.

Future minimum rentals under the lease are as follows:

<b>Year ending June 30,</b>	<b>Future Minimum Payments</b>
2015	\$ 1,814,403
2016	1,814,403
2017	1,814,403
2018	1,814,403
2019	1,814,403
2020-2024	9,072,015
2024-2029	9,072,015
2030-2034	9,072,015
2035-2039	9,072,015
2040-2044	9,072,015
2045-2049	9,072,015
2050-2054	9,072,015
2055-2059	9,072,015
2060-2064	9,072,015
2065-2069	9,072,015
2070-2074	9,072,015
2075-2079	9,072,015
2080-2084	9,072,015
2085-2089	9,072,015
2090-2094	9,072,015
2095-2098	<u>3,780,006</u>
Total payments	148,932,246
Less interest	<u>(128,975,470)</u>
	19,956,776
Less: current portion	<u>(3,356)</u>
<b>Long-term portion</b>	<b><u>\$ 19,953,420</u></b>

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

**(c) Capital Lease (continued)**

The Commission's capital lease activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Accumulated Amortization</u>	<u>Ending Balance</u>
<b>Fund:</b>					
<i>General Sub-Fund:</i>					
Furniture and equipment	\$ 1,915,760	\$ -	\$ -	\$ (1,751,222)	\$ 164,538
Total furniture and equipment - General Sub-Fund	<u>1,915,760</u>	<u>-</u>	<u>-</u>	<u>(1,751,222)</u>	<u>164,538</u>
<i>Opportunity Housing Sub-Fund:</i>					
Building and improvements	19,987,798	-	-	(8,494,814)	11,492,984
Total building and improvements - Opportunity Housing Sub-Fund	<u>19,987,798</u>	<u>-</u>	<u>-</u>	<u>(8,494,814)</u>	<u>11,492,984</u>
<b>Total capital leases, net</b>	<u>\$ 21,903,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,246,036)</u>	<u>\$ 11,657,522</u>

**(d) Component Unit Capital Assets**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Accumulated Amortization</u>	<u>Ending Balance</u>
<b>Real estate limited partnership component units</b>					
Land	\$ 21,795,578	\$ -	\$ -	\$ -	\$ 21,795,578
Building and improvements	153,438,362	6,242,324	(9,141,954)	(52,726,426)	97,812,306
Furniture and equipment	4,969,001	1,438,706	(139,596)	(3,488,009)	2,780,102
Construction in progress	-	9,498,428	-	-	9,498,428
<b>Net component unit capital assets</b>	<u>\$ 180,202,941</u>	<u>\$ 17,179,458</u>	<u>\$ (9,281,550)</u>	<u>\$ (56,214,435)</u>	<u>\$ 131,886,414</u>

**NOTE 6 – 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.

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**NOTE 6 – ADVANCES TO REAL ESTATE PARTNERSHIP COMPONENT UNITS (CONTINUED)**

The Partnerships' agreements:

- Include ground rent to be paid by the Partnerships to the Commission's General Sub-Fund. Ground rent for the year ended June 30, 2014, amounted to \$304,591.
- 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, 2014, amounted to \$37,374.

Due to differences in fiscal year ends, Advances to Component Units differ from Advances from the Primary Government at June 30, 2014.

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General Sub-Fund	Component units - tax credit limited partnerships	\$ 8,364,252
Opportunity Housing Sub-Fund	Component units - tax credit limited partnerships	<u>12,347,078</u>
<b>Total Advances to Component Units</b>		20,711,330
Primary government - General Sub-Fund	Component units - tax credit limited partnerships	2,291,820
Primary government - General Sub-Fund	Component units - tax credit limited partnerships	<u>1,873,221</u>
<b>Total due to/from primary government and component units</b>		<u><u>\$ 24,876,371</u></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.

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**NOTE 7 – 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, 2014:

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multi Family Sub-Fund	Elimination	Total
Accounts receivable:							
U.S. Department of Housing and Urban Development Montgomery County, Maryland	\$ -	\$ -	\$ 1,476,208	\$ -	\$ -	\$ -	\$ 1,476,208
Other	-	104,218	1,658,493	-	-	-	1,762,711
Other assets	1,401,589	1,403,007	1,383,219	-	-	(122,727)	4,065,088
	<u>462,795</u>	<u>1,824,831</u>	<u>-</u>	<u>16,204</u>	<u>-</u>	<u>-</u>	<u>2,303,830</u>
<b>Total</b>	<u>\$ 1,864,384</u>	<u>\$ 3,332,056</u>	<u>\$ 4,517,920</u>	<u>\$ 16,204</u>	<u>\$ -</u>	<u>\$ (122,727)</u>	<u>\$ 9,607,837</u>

Included in the accounts receivable and other assets balance of the Opportunity Housing Sub-Fund are interfund accounts receivable from the Multifamily Sub-Fund amounting to \$122,727 as of June 30, 2014, which have been eliminated upon consolidation.

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables and payables result from cash collections and disbursements for all funds being processed through the General Sub-Fund. All amounts are expected to be repaid within one year. All amounts have been eliminated on the basic financial statements.

**NOTE 9 – 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 0.20% to 11.26% as of June 30, 2014. Maturity dates of the bonds payable range from 2014 to 2053.

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**NOTE 9 – BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT (CONTINUED)**

**(a) Bonds Payable**

The Commission has the following bonds payable outstanding as of June 30, 2014:

	<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>
Single Family Sub-Fund Bonds:					
2005 Series C	\$ 5,805,000	\$ -	\$ -	\$ 5,805,000	\$ 890,000
2005 Series D	4,070,000	-	1,010,000	3,060,000	-
2006 Series A	9,890,000	-	-	9,890,000	1,555,000
2006 Series B	5,380,000	-	555,000	4,825,000	-
2007 Series A	8,545,000	-	-	8,545,000	1,390,000
2007 Series B	12,960,000	-	1,845,000	11,115,000	-
2007 Series C	835,000	-	-	835,000	335,000
2007 Series D	12,300,000	-	2,915,000	9,385,000	250,000
2007 Series E	8,315,000	-	-	8,315,000	-
2007 Series F	10,000,000	-	-	10,000,000	-
2008 Series A	5,215,000	-	1,570,000	3,645,000	790,000
2008 Series B	1,760,000	-	285,000	1,475,000	-
2008 Series C	8,450,000	-	-	8,450,000	-
2008 Series D	17,200,000	-	-	17,200,000	-
2009 Series A	16,545,000	-	920,000	15,625,000	1,000,000
2013 Series A	38,645,000	-	2,820,000	35,825,000	950,000
2013 Series B	14,825,000	-	-	14,825,000	1,585,000
2013 Series C	3,190,000	-	1,590,000	1,600,000	1,600,000
NIBP 2009 Series A	8,860,000	-	1,550,000	7,310,000	405,000
NIBP 2009 Series B	14,780,000	-	1,440,000	13,340,000	610,000
NIBP 2009 Series C-1	8,880,000	-	470,000	8,410,000	280,000
NIBP 2010 Series A	5,340,000	-	530,000	4,810,000	500,000
NIBP 2011 Series A	11,590,000	-	845,000	10,745,000	680,000
NIBP 2009 Series C-2	15,930,000	-	250,000	15,680,000	20,000
NIBP 2009 Series C-3	2,420,000	-	40,000	2,380,000	-
NIBP 2012 Series A	12,545,000	-	605,000	11,940,000	590,000
NIBP 2009 Series C-4	9,770,000	-	100,000	9,670,000	40,000
NIBP 2009 Series C-5	2,610,000	-	-	2,610,000	-
	<u>276,655,000</u>	<u>-</u>	<u>19,340,000</u>	<u>257,315,000</u>	<u>13,470,000</u>
Add: Unamortized premium	4,738,712	-	1,353,022	3,385,690	-
<b>Total Single Family Bonds Payable</b>	<u>\$ 281,393,712</u>	<u>\$ -</u>	<u>\$ 20,693,022</u>	<u>\$ 260,700,690</u>	<u>\$ 13,470,000</u>



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**NOTE 9 – BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT (CONTINUED)**

**(a) Bonds Payable (continued)**

	<u>Outstanding Beginning of Year</u>	<u>Issued This Year</u>	<u>Retired/ Refunded This Year</u>	<u>Outstanding End of Year</u>	<u>Amount Due Within One Year</u>
Multi Family Sub-Fund Bonds:					
1998 Issue A	\$ 9,100,000	\$ -	\$ 385,000	\$ 8,715,000	\$ 405,000
2002 Series A	20,105,000	-	525,000	19,580,000	555,000
2008 Series A	4,530,000	-	-	4,530,000	-
1992 Series C	2,215,000	-	155,000	2,060,000	135,000
1995 Series A	2,445,000	-	165,000	2,280,000	190,000
1984 Series A - Accretions	141,003	16,304	-	157,307	18,199
2000 Series B	7,170,000	-	85,000	7,085,000	145,000
2007 Series A	17,300,000	-	390,000	16,910,000	405,000
2007 Series B-1	21,020,000	-	540,000	20,480,000	550,000
2007 Series C-1	4,640,000	-	240,000	4,400,000	240,000
2007 Series C-2	1,995,000	-	105,000	1,890,000	110,000
2004 Series A	12,400,000	-	270,000	12,130,000	275,000
2004 Series B	3,775,000	-	50,000	3,725,000	50,000
2004 Series C	16,830,000	-	465,000	16,365,000	480,000
2004 Series D	12,230,000	-	330,000	11,900,000	345,000
2005 Series B	5,120,000	-	160,000	4,960,000	170,000
2005 Series C	27,250,000	-	700,000	26,550,000	710,000
2009 Series A-2	8,040,000	-	-	8,040,000	-
2010 Series A	4,720,000	-	155,000	4,565,000	160,000
2010 Series A	12,130,000	-	245,000	11,885,000	250,000
2011 Series A	33,220,000	-	375,000	32,845,000	395,000
2011 Series B	2,990,000	-	30,000	2,960,000	30,000
2012 Series A	24,490,000	-	890,000	23,600,000	895,000
2012 Series B	17,935,000	-	850,000	17,085,000	850,000
2012 Series C	23,735,000	-	1,680,000	22,055,000	1,690,000
2012 Series D	34,975,000	-	1,085,000	33,890,000	1,075,000
	<u>330,501,003</u>	<u>16,304</u>	<u>9,875,000</u>	<u>320,642,307</u>	<u>10,128,199</u>
Less: Unamortized premium	(1,852,744)	-	(119,300)	(1,733,444)	-
<b>Total Multi Family Bonds Payable</b>	<u>\$ 328,648,259</u>	<u>\$ 16,304</u>	<u>\$ 9,755,700</u>	<u>\$ 318,908,863</u>	<u>\$ 10,128,199</u>
<b>Total Bonds Payable</b>	<u>\$ 610,041,971</u>	<u>\$ 16,304</u>	<u>\$ 30,448,722</u>	<u>\$ 579,609,553</u>	<u>\$ 23,598,199</u>

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**NOTE 9 – BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT (CONTINUED)**

**(b) Mortgage Notes and Loans Payable**

The Commission has the following Opportunity Housing Sub-Fund and General Sub-Fund mortgage notes and loans payable as of June 30, 2014:

	<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>
Opportunity Housing Sub-Fund:					
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	-
Dale Drive	600,000	-	-	600,000	-
Montgomery Arms	120,137	-	4,040	116,097	4,165
CDBG-9611 McAlpine Road	107,493	-	-	107,493	-
Scattered Site Two Dev. Corp.	4,900,000	-	83,400	4,816,600	-
Glenmont Crossing Dev. Corp.	11,861,453	-	191,860	11,669,593	202,484
Glenmont Westerly Dev. Corp.	7,453,390	-	119,430	7,333,960	126,375
MHLP II	13,968	-	-	13,968	13,968
MHLP III	42,891	-	-	42,891	42,891
The Ambassador Apartments	453,209	-	80,098	373,111	83,469
	<u>42,272,679</u>	<u>-</u>	<u>478,828</u>	<u>41,793,851</u>	<u>473,352</u>
General Sub-Fund:					
Line of Credit with PNC Bank	17,043,616	6,351,704	7,989,436	15,405,884	15,405,884
Tax Credit IX	50,500	-	-	50,500	-
	<u>17,094,116</u>	<u>6,351,704</u>	<u>7,989,436</u>	<u>15,456,384</u>	<u>15,405,884</u>
<b>Total mortgage notes and loans payable</b>	<u>\$ 59,366,795</u>	<u>\$ 6,351,704</u>	<u>\$ 8,468,264</u>	<u>\$ 57,250,235</u>	<u>\$ 15,879,236</u>

Interest rates on mortgage notes and loans payable ranged from the 30-day Libor rate plus 90 basis points to 7.67% as of June 30, 2014.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2014 are interfund mortgage loans payable to the Multi-Family Sub-Fund amounting to \$188,760,047 which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$9,811,832 for the year ended June 30, 2014 has also been eliminated.

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2014 are interfund mortgage loans payable to the General Sub-Fund amounting to \$10,597,022, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$104,864 for the year ended June 30, 2014 has also been eliminated.

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**NOTE 9 – BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT (CONTINUED)**

**(b) Mortgage Notes and Loans Payable (continued)**

Included in the mortgage notes and loans payable balance of the Opportunity Housing Sub-Fund at June 30, 2014 are interfund mortgage loans payable to the Opportunity Housing Reserve Fund (OHRF) Fund and Barclay Development Corporation amounting to \$10,622,047, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the General Sub-Fund at June 30, 2014 are interfund mortgage loans payable to the Opportunity Housing Sub-Fund amounting to \$53,996, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$4,380 for the year ended June 30, 2014 has also been eliminated.

Included in the mortgage notes and loans payable balance of the Public Sub-Fund at June 30, 2014 are interfund mortgage loans payable to the General Sub-Fund amounting to \$369,179, which have been eliminated in the accompanying financial statements.

Included in the mortgage notes and loans payable balance of the Multifamily Sub-Fund are interfund mortgage notes and loans payable to the General Sub-Fund amounting to \$6,444,800, which have been eliminated in the accompanying financial statements. The related interest expense, amounting to \$418,912 for the year ended June 30, 2014 has been eliminated.

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**NOTE 9 – BONDS, MORTGAGE NOTES, AND LOANS PAYABLE – PRIMARY GOVERNMENT (CONTINUED)**

**(c) Maturities**

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

	Principal				
	General Sub-Fund	Opportunity Housing Sub-Fund	Multifamily Sub-Fund	Single Family Sub-Fund	Combined
	Notes Payable	Notes Payable	Sub-Fund Bonds & Notes Payable	Bonds Payable	
Years ending June 30,					
2015	\$ 15,405,884	\$ 473,352	\$ 10,128,199	\$ 13,470,000	39,477,435
2016	50,500	533,451	10,325,300	11,660,000	22,569,251
2017	-	563,004	10,857,645	11,850,000	23,270,649
2018	-	591,247	11,010,266	12,240,000	23,841,513
2019	-	575,455	10,753,191	8,650,000	19,978,646
2020-2024	-	21,561,429	59,853,081	45,820,000	127,234,510
2025-2029	-	137,341	67,129,624	42,425,000	109,691,965
2030-2034	-	34,671	63,520,000	36,775,000	100,329,671
2035-2039	-	3,761	45,710,000	44,980,000	90,693,761
2040-2044	-	-	22,020,000	29,445,000	51,465,000
2045-2049	-	-	9,335,000	-	9,335,000
Upon sale of property	-	17,320,140	-	-	17,320,140
	15,456,384	41,793,851	320,642,306	257,315,000	635,207,541
Unamortized bond discount/premium	-	-	(1,733,444)	3,385,690	1,652,247
<b>Total</b>	<u>\$ 15,456,384</u>	<u>\$ 41,793,851</u>	<u>318,908,863</u>	<u>\$ 260,700,690</u>	<u>\$ 636,859,788</u>
	Interest				
	General Sub-Fund	Opportunity Housing Sub-Fund	Multifamily Sub-Fund	Single Family Sub-Fund	Combined
	Notes Payable	Notes Payable	Sub-Fund Bonds & Notes Payable	Bonds Payable	
Years ending June 30,					
2015	\$ 162,116	\$ 1,231,347	\$ 9,833,301	\$ 7,240,879	\$ 18,467,643
2016	-	1,208,572	9,646,874	6,947,841	17,803,287
2017	-	1,178,979	9,433,619	6,611,138	17,223,736
2018	-	1,154,380	9,180,453	6,224,889	16,559,722
2019	-	1,121,082	8,897,653	5,954,030	15,972,765
2020-2024	-	1,021,015	39,388,068	25,067,869	65,476,952
2025-2029	-	10,884	28,659,626	16,660,968	45,331,478
2030-2034	-	3,273	16,505,800	10,021,552	26,530,625
2035-2039	-	55	6,435,374	4,384,989	10,820,418
2040-2044	-	-	1,659,240	652,909	2,312,149
2045-2049	-	-	12,373	-	12,373
<b>Total</b>	<u>\$ 162,116</u>	<u>\$ 6,929,587</u>	<u>\$ 139,652,381</u>	<u>\$ 89,767,064</u>	<u>\$ 236,511,148</u>

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**NOTE 10 – DERIVATIVE INSTRUMENTS**

At June 30, 2014, 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, 2014, all hedging derivative instruments shown on the next page met the criteria for effectiveness.

*Objective of the interest rate swap:* 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, 2014 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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**NOTE 10 – DERIVATIVE INSTRUMENTS (CONTINUED)**

Associated Bond Issue	Notional Amounts	Trade Date	Terms	Fair Values	Swap Termination Date	Counterparty/ Credit Rating
Multifamily 2004 Series C	\$ 16,365,000	11/5/2004	Receive 63.3% LIBOR + 0.19%, pay 3.653%	\$ (533,266)	7/1/2036	MLCS, Aa3/A/AA-
Multifamily 2004 Series D	11,900,000	11/5/2004	Receive 63.3% LIBOR + 0.29%, pay 3.76%	(388,464)	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%	(1,154,790)	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%	(934,485)	7/1/2039	MLDP, Aa3/AAA/NR
Multifamily 2011 Series A	31,695,000	4/3/2006	Receive 64.0% LIBOR + 0.19%, pay 4.02%	(5,815,954)	1/1/2049	MLCS, Aa3/A/AA-
2011 Series B	<u>2,820,000</u>	4/3/2006	LIBOR + 0.10%, pay	<u>(804,567)</u>	1/1/2049	MLCS, Aa3/A/AA-
<b>Total</b>	<u>\$ 81,230,000</u>			<u>\$ (9,631,526)</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, 2014, 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.

*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.

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**NOTE 10 – DERIVATIVE INSTRUMENTS (CONTINUED)**

*Rollover Risk:* The Commission is not exposed to rollover risk on its hedging derivative instruments.

*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.

**NOTE 11 – 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 1.20% to 7.85%.

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

	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,659,257	\$ 3,893,386
2016	11,688,645	3,728,888
2017	2,964,490	3,313,069
2018	2,671,252	3,137,553
2019	2,633,848	2,989,422
2020-2024	15,744,237	12,420,144
2025-2029	16,805,639	7,623,096
2030-2034	11,221,185	3,805,865
2035-2039	7,361,804	1,130,438
2040-2044	639,198	404,087
2045-2049	883,893	159,391
2050-2054	2,400,000	94
Upon sale of property	19,297,451	-
<b>Total</b>	<u>\$ 96,970,899</u>	<u>\$ 42,605,430</u>

**NOTE 12 – LONG-TERM DEBT – COMPENSATED ABSENCES**

A summary of changes in compensated absences is as follows:

	<u>Outstanding Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding End of Year</u>	<u>Amount Due Within One Year</u>
Compensated absences	<u>\$ 1,840,840</u>	<u>\$ 1,690,228</u>	<u>\$ 1,843,297</u>	<u>\$ 1,687,771</u>	<u>\$ 1,687,771</u>

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**NOTE 13 – 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, 2014. There is no set maturity date or repayment term on borrowings from the County for the projects.

The Commission has the following Opportunity Housing Sub-Fund, General Sub-Fund and component unit loans payable to Montgomery County as of June 30, 2014:

	<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 Sub-Fund	\$ 54,704,780	\$ 9,447,602	\$ 1,407,292	\$ 62,745,090	\$ 7,377,860
General Sub-Fund	<u>7,196,021</u>	<u>3,650,000</u>	<u>-</u>	<u>10,846,021</u>	<u>-</u>
<b>Total</b>	<u>\$ 61,900,801</u>	<u>\$ 13,097,602</u>	<u>\$ 1,407,292</u>	<u>\$ 73,591,111</u>	<u>\$ 7,377,860</u>
<b>Real estate limited partnership component units</b>	<u>\$ 12,681,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,681,326</u>	<u>\$ -</u>

**NOTE 14 – 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.



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**NOTE 14 – OPERATING LEASE COMMITMENTS (CONTINUED)**

Lease expense for the year ended June 30, 2014 for all office space was \$580,249. Future minimum lease obligations under these leases are as follows:

<b>Year ending June 30,</b>	
2015	\$ 442,205
2016	419,960
2017	432,559
2018	<u>419,459</u>
<b>Total</b>	<u>\$ 1,714,183</u>

**NOTE 15 – RESTRICTED NET POSITION**

Restricted net position represents the portion of total net position 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 position 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.

As of June 30, 2014, the Commission committed the following OHRF obligations by resolutions of the Board of Commissioners:

Scattered site pre-development/relocation/renovation	\$ 6,025,675
The Ambassador predevelopment loan	122,871
Scattered site pre-development	238,517
Scattered site relocation & renovation (106-601)	15,319
Scattered site 669 rehab	5,000,000
Purchase of Capital One Site	1,586,464
Glenmont Crossing Apartment Loan	462,660
Greenhill's Apartments	5,000
Redevelopment of Elizabeth House	730,000
Pre-development fund new Chevy Chase Lake	600,000
Pre-development fund (Real Estate Division)	89,711
FY 2014 Real Estate administrative expenses	<u>436,264</u>
<b>Total</b>	<u>\$ 15,312,481</u>

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**NOTE 15 – RESTRICTED NET POSITION (CONTINUED)**

**FHA Risk Sharing**

On December 5, 2012, the Commission approved a loan of \$1,826,000 from the FHA Risk Sharing reserves to complete the acquisition of Glenmont Crossing Apartments, a 199-unit development in the Glenmont section of Silver Spring.

On September 5, 2012, the Commission approved the Financing Plan for Tanglewood and Sligo Hills LP and agreed to fund a loan that provides the permanent financing for the development, in the approximate amount of \$9,671,091. Upon completion of the construction and conversion to the permanent phase, the loan would be funded from the Risk Sharing reserve account and would amortize over 30 years for a term of 15 years at 5.50% interest rate.

**NOTE 16 – 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, 2014 was \$3,271,919 and the Commission’s total payroll was \$30,141,203.

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 fiscal year 2014, 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 to pay benefits when due. The contribution requirements for the three years ended June 30, 2014 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Commission contribution	\$ 1,256,427	\$ 1,467,940	\$ 1,116,040	\$ 1,360,983	\$ 1,272,127
Employee contribution	<u>196,446</u>	<u>256,205</u>	<u>223,078</u>	<u>213,520</u>	<u>219,304</u>
<b>Total contribution requirement</b>	<u>\$ 1,452,873</u>	<u>\$ 1,724,145</u>	<u>\$ 1,339,118</u>	<u>\$ 1,574,503</u>	<u>\$ 1,491,431</u>
Contribution requirements as a percentage of covered payroll:					
Commission	38.40%	34.20%	24.87%	25.85%	23.50%
Employees	6.00%	5.97%	4.97%	4.05%	4.05%

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**NOTE 16 – PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

**(a) Pension Plan (continued)**

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 8.38% of each participant's annual salary in fiscal year 2014. The contribution requirements for the five years ended June 30 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Commission contribution	\$ 274,280	\$ 283,951	\$ 195,212	\$ 222,220	\$ 251,294
Employee contribution	<u>174,229</u>	<u>153,533</u>	<u>151,041</u>	<u>142,866</u>	<u>134,024</u>
<b>Total contribution requirement</b>	<u>\$ 448,509</u>	<u>\$ 437,484</u>	<u>\$ 346,253</u>	<u>\$ 365,086</u>	<u>\$ 385,318</u>

Contribution requirements as a percentage of covered payroll:

Commission	8.38%	7.55%	5.69%	6.53%	7.50%
Employees	5.32%	4.08%	4.40%	4.09%	4.00%

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, 2014. 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.

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**NOTE 16 – PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

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

The plan requires all participants to contribute 4% of their salaries. Participants earning salaries exceeding the Social Security wage base, which approximated \$117,000 at June 30, 2014, 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, 2014 totaled \$14,034,066. Commission and employee contributions to the plan totaled \$844,530 and \$428,354, respectively, for the year ended June 30, 2014.

**(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, 101 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 \$607,816 during fiscal year 2014. The Commission paid the annual required contribution to the (ARC) in fiscal year 2014 of \$2,195,672, which represents 75.1% of the Commission's required obligation. The County has waived the remaining \$728,328 contribution requirement. The County provided a phase-in period and expects the Commission to begin paying the full annual required contribution by fiscal year 2017.

*Annual OPEB cost and Net OPEB Obligation:* The ARC, or annual OPEB cost (AOC) for fiscal year 2014 was based on the actuarial valuation as of July 1, 2013 presented to Montgomery County on May 9, 2014.

*Actuarial Methods and Assumptions:* The actuarial valuation for fiscal year projected 2014 was performed by AON Hewitt with a valuation date of July 1, 2012. The actuarial method used was the Projected Unit Credit Actuarial Cost Method.

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**NOTE 16 – PENSION PLAN AND POSTRETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

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

The contribution requirements for the five years ended June 30 are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actual contribution	\$ 2,195,672	\$ 1,850,572	\$ 1,020,300	\$ -	\$ 600,000
Annual required contribution	<u>2,923,000</u>	<u>2,340,000</u>	<u>2,040,000</u>	<u>1,053,300</u>	<u>600,000</u>
<b>Percentage contributed</b>	<u>75.1%</u>	<u>79.1%</u>	<u>50.0%</u>	<u>0.0%</u>	<u>100.0%</u>

Montgomery County Government issues a publicly available Comprehensive Annual Financial Report (“CAFR”) that includes financial statements and required supplemental information for the Consolidated Retiree Health Benefits Trusts. A copy of that report may be obtained from Montgomery County Government, Department of Finance, 101 Monroe Street, Rockville, Maryland, 20850. This report can also be found on the County’s website, <http://www.montgomerycountymd.gov> (see Departments, Finance, Financial Reports).

**NOTE 17 – CONTINGENCIES**

**(a) Litigation**

There is no 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, 2014, 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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**NOTE 18 – 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 coverage 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.

**NOTE 19 – 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, 2014 are summarized below:

Bonds outstanding, beginning of year	\$ 175,322,198
Issuances during the year	-
Redemptions during the year	<u>(6,402,549)</u>
<b>Bonds outstanding, end of year</b>	<b><u>\$ 168,919,649</u></b>

**NOTE 20 – 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, 2014, there is a liability of \$84,180 and \$0 for the Single Family and Multifamily Sub-Fund Programs, respectively, which may be due in future years. The liability is included in the liabilities balance of each fund.

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**NOTE 21 – PENDING GASB STANDARDS**

GASB routinely issues standards that will become effective in future years. The following is a list of standards that have been issued that management has determined may have an impact on future financial statements of the Commission. Management is currently evaluating the specific impact of these Standards.

The Commission will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* for the period ending June 30, 2015. The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. The Commission is currently evaluating the effect of the implementation of this Statement.

The Commission will be required to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* for the period ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement is not expected to have an impact on the Commission.

The Commission will be required to implement GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the period ending June 30, 2015. This Statement is required to be applied simultaneously with the provisions of Statement No. 68.

**NOTE 22 – SUBSEQUENT EVENTS**

*Multifamily Sub-Fund*

In fiscal year 2015, the Commission plans to prepay \$27.6 million of outstanding mortgages for Alexander House Development Corporation and TPM Development Corporation. The prepayments will occur on October 23, 2014 and the proceeds will be used to redeem portions of prior bonds (2007 Series B-1 and 2012 Series B) issued under 1996 Multifamily Housing Development Bond Resolution (MFHDB). The properties are currently under review for comprehensive rehabilitation and refinancing. The permanent financing plan will be presented to the Commission for approval in calendar year 2015 when tax-exempt bonds will be issued to fund new mortgages to be insured by FHA pursuant to its Risk Sharing Agreement with HOC. The prepayment funds will be provided as an interim loan from drawing on the PNC Bank, N.A. Revolving Real Estate Line of Credit. Given current mortgage rates for both properties (5.94% and 5.2%), the interim loans will reduce interest carry during the development periods with limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 68.5% of the 30-day London Inter Bank Offered Rate (LIBOR) plus 38 basis points.

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**NOTE 22 – SUBSEQUENT EVENTS (CONTINUED)**

In fiscal year 2015, the Commission plans to prepay \$2.3 million of outstanding indebtedness for Wheaton-University Boulevard Limited Partnership (Ambassador Apartments). Approximately \$1.8 million will prepay a first mortgage for the property, the proceeds of which will redeem prior bonds (1992 Series C Bonds) issued under 1982 Multifamily Mortgage Revenue Bond Resolution. This is the last remaining property issued under this indenture; therefore, the indenture will be closed and the remaining assets transferred under the MFHDB. Approximately \$400,000 will be used to retire a subordinate surplus cash note held by the Maryland Department of Housing and Community Development. The Commission approved a redevelopment plan for the Ambassador Apartments pursuant to which a development program is being developed. It is anticipated that the entitlement process will conclude in 2016 at which time a new financing will close. The property currently pays debt service on the existing first mortgage at 6.6% rate, which would be replaced by draw on PNC Bank, N.A. Revolving Real Estate Line of Credit with limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 68.5% of the 30-day LIBOR plus 38 basis points.

In fiscal year 2015, the Commission plans to prepay \$4.2 million of outstanding mortgages for Greenhills Apartments. The proceeds will be used to redeem prior variable rate demand obligations bonds issued under the 2002 Multiple Purpose Bond Resolution (2008 Series A Bonds) on November 1, 2014. Greenhills Apartments is currently under review for comprehensive rehabilitation and refinancing. The final development and permanent financing plans will be presented to the Commission for approval in calendar year 2015 when tax-exempt bonds are expected to be issued to fund a new mortgage that will be insured by FHA pursuant to its Risk Sharing Agreement with HOC. The prepayment funds will be provided as an interim loan from drawing on the PNC Bank, N.A. Revolving Real Estate Line of Credit. By redeeming these bonds, the credit facility (PNC Bank Letter of Credit) will be terminated and the financing will no longer be subject to weekly remarketing; thereby lowering the overall cost to the property. The property currently makes debt service payments based on a 6.5% mortgage rate; therefore, the interim loans pose limited risk to the Commission. The loan will be a tax-exempt interest only loan payable at 68.5% of the 30-day LIBOR plus 38 basis points.

*TD Bank, N.A. Letter of Credit Extension & Rate Reduction*

On October 1, 2014, HOC closed on a transaction with TD Bank, N.A. that extended for one additional year, the original five-year letter of credit facility supporting the variable rate demand obligation bonds that financed Barclay Chevy Chase and Spring Garden (the “2004 Series C & D”) and MetroPointe Apartments (the “2011 Series A & B”) issued under the 1996 Multifamily Housing Development Bond Resolution (the “1996 Indenture”). The transaction also reduced the letter of credit fees from 65 basis points to 39 basis points. It also removes the five basis points penalty of not having 15% of the total outstanding facility on deposit with the bank and replaced it with four basis points reduction in fees as an incentive for having the equivalent of 15% of the outstanding facility on deposit with the bank. The credit market has improved and HOC had the option to obtain a completely new facility with another bank but opted for this transaction with TD Bank that avoids transaction costs that would be associated with a new remarketing transaction. The annual savings to the indenture are significant, representing an estimated total savings of \$337,000 of the remaining three years.



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**NOTE 22 – SUBSEQUENT EVENTS (CONTINUED)**

*Paddington Square Refinancing*

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 (approximately \$71,000 per unit) was completed in December 2011. The renovation was completed by way of multiple sources, including HOC bonds, the OHRF, and DHCA HIF funds. A permanent financing solution had been hindered due to the property's inability to reach stabilized occupancy of 93%. Once occupancy reached 85% for a period of six (6) months, staff explored a viable FHA option for permanent financing. On January 8, 2014, the Commission approved a Refinancing Plan to engage Love Funding, as the Multifamily Accelerated Processing (MAP) Lender, and to obtain a FHA 223(f) Government National Mortgage Association (GNMA or "Ginnie Mae") backed mortgage for Paddington Square. This execution will garner approximately \$19 million in loan proceeds and will retire \$18.5 million in outstanding debt. The final application was submitted to HUD in June 2014, FHA review is underway and closing is expected to occur before the end of calendar year 2014.

*Tanglewood and Sligo LP Refinancing*

This six building, 132-unit garden project located at in the Long Branch Sector of Silver Spring underwent a substantial (gut) renovation. The buildings are located on Manchester Avenue (8900, 8902, 8904, and 9000 – 9006) and Schuyler Road (104-106). The redevelopment commenced construction in January 2013, and was completed in January 2014. The property is over 97% occupied and has achieved stabilized operations. The renovated community includes a fitness center, cyber lounge / computer lab, two new decks, as well as an activity / childhood learning center and new management offices. The initial closing on December 18, 2012 was funded from a construction loan from Capital One Bank, N.A., equity from the sale of low income housing tax credits, subordinate loan from the Maryland Department of Housing and Community Development and a seller note from HOC, all totaling \$28,768,303. The permanent loan was to be taken out by a permanent loan of \$9,371,393 from HOC based on its commitment at the time. Since then and in response to a continued favorable interest rate environment, and improved revenue projections, the permanent loan will be funded from the proceeds of an FHA 223(f) loan guaranteed by GNMA. The new permanent loan will be \$12,033,076 while maintaining the same debt service coverage ratio as the original underwriting. Closing is projected for December 2014.

*Real Estate Line of Credit (RELOC)*

On May 28, 2014, the Commission approved \$90 million real estate line of credit from the PNC Bank for the purpose of providing affordable housing in Montgomery County. The purpose of the line of credit provides for the acquisition, construction, rehabilitation and/or permanent financing or refinancing of rental housing properties.

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**NOTE 22 – SUBSEQUENT EVENTS (CONTINUED)**

*Compensation Adjustments for Unrepresented Employees*

On June 4, 2014, the Commission approved a wage increase for Unrepresented Career and Term employees with the adoption of the FY15-16 Budget. The Commission approved a 3% Wage Adjustment, or COLA, for fiscal year 2015, which is also applied to the General Salary Schedule for Unrepresented Employees. In addition, the Commission approved a 2.75% Salary Increment for fiscal year 2015 for unrepresented employees who received a fully satisfactory rating on their fiscal year 2014 Annual Performance Evaluation. The COLA is effective with the first full pay of fiscal year 2015 and the Salary Increment is effective with the first pay date in September 2015.

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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS**

	Blended Component Units									
	Dale Drive	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square
<b>ASSETS</b>										
Cash	\$ 294,006	\$ 328,903	\$ 488,427	\$ 75,159	\$ 2,235,001	\$ 178,945	\$ 2,361,006	\$ 593,062	\$ 501,570	\$ 392,128
Restricted cash	-	324,511	267,513	10,330	1,597,086	141,256	105,456	536,886	166,260	665,681
Current assets	-	9,426	102,015	1,428	9,914,333	622,088	139,975	1,057,766	1,862,262	62,070
Noncurrent assets	27,312	29,699	229,976	-	754,411	62,007	-	299,047	871,929	179,990
Capital assets	<u>2,267,889</u>	<u>3,487,162</u>	<u>16,238,343</u>	<u>1,435,877</u>	<u>22,146,803</u>	<u>11,301,808</u>	<u>16,967,313</u>	<u>10,543,193</u>	<u>31,261,128</u>	<u>22,550,143</u>
<b>Total assets</b>	<u>2,589,207</u>	<u>4,179,701</u>	<u>17,326,274</u>	<u>1,522,794</u>	<u>36,647,634</u>	<u>12,306,104</u>	<u>19,573,750</u>	<u>13,029,954</u>	<u>34,663,149</u>	<u>23,850,012</u>
<b>LIABILITIES</b>										
Current liabilities	4,929	312,026	1,505,769	902,191	1,194,724	2,260,984	757,027	755,087	979,826	16,054,673
Noncurrent liabilities	<u>2,342,309</u>	<u>4,137,617</u>	<u>21,123,144</u>	<u>30,591</u>	<u>25,588,684</u>	<u>9,609,668</u>	<u>17,295,089</u>	<u>11,374,000</u>	<u>38,800,020</u>	<u>6,028,477</u>
<b>Total liabilities</b>	<u>2,347,238</u>	<u>4,449,643</u>	<u>22,628,913</u>	<u>932,782</u>	<u>26,783,408</u>	<u>11,870,652</u>	<u>18,052,116</u>	<u>12,129,087</u>	<u>39,779,846</u>	<u>22,083,150</u>
<b>NET POSITION</b>										
Net investment in capital assets	(74,419)	(777,700)	(5,380,137)	1,435,877	(3,974,444)	1,357,001	(710,782)	(1,085,973)	(4,654,731)	1,875,625
Restricted	-	228,921	100,320	3,447	1,256,002	45,317	41,405	109,569	78,792	432
Unrestricted	<u>316,388</u>	<u>278,837</u>	<u>(22,822)</u>	<u>(849,312)</u>	<u>12,582,668</u>	<u>(966,866)</u>	<u>2,191,011</u>	<u>1,877,271</u>	<u>(540,758)</u>	<u>(109,195)</u>
<b>Total net position</b>	<u>241,969</u>	<u>(269,942)</u>	<u>(5,302,639)</u>	<u>590,012</u>	<u>9,864,226</u>	<u>435,452</u>	<u>1,521,634</u>	<u>900,867</u>	<u>(5,116,697)</u>	<u>1,766,862</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 2,589,207</u>	<u>\$ 4,179,701</u>	<u>\$ 17,326,274</u>	<u>\$ 1,522,794</u>	<u>\$ 36,647,634</u>	<u>\$ 12,306,104</u>	<u>\$ 19,573,750</u>	<u>\$ 13,029,954</u>	<u>\$ 34,663,149</u>	<u>\$ 23,850,012</u>

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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units										
	Chevy Chase	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Greenmont Crossing	Greenmont Westerly	Magruders	Primary Government	Total
<b>ASSETS</b>											
Cash	\$ 660,807	\$ 372,485	\$ 3,406,398	\$ 1,223,276	\$ 3,054	\$ (258)	\$ 386,798	\$ 339,054	\$ (2,953)	\$ 58,501,550	\$ 72,338,418
Restricted cash	189,114	346,098	114,998	25,590	71,915	32,003	652,807	1,336,749	602,603	120,582,405	127,769,261
Current assets	391,039	1,406,016	7,594,349	3,087,115	41,889	13,591	32,976	25,661	901,681	26,205,121	53,470,801
Noncurrent assets	184,638	335,348	-	-	-	-	95,966	58,122	226,956	380,280,486	383,635,887
Capital assets	<u>7,605,396</u>	<u>7,895,954</u>	<u>11,428,632</u>	<u>4,811,036</u>	<u>14,205,750</u>	<u>4,932,340</u>	<u>15,407,384</u>	<u>12,066,034</u>	<u>7,367,061</u>	<u>115,523,208</u>	<u>339,442,454</u>
Total assets	<u>9,030,994</u>	<u>10,355,901</u>	<u>22,544,377</u>	<u>9,147,017</u>	<u>14,322,608</u>	<u>4,977,676</u>	<u>16,575,931</u>	<u>13,825,620</u>	<u>9,095,348</u>	<u>701,092,770</u>	<u>976,656,821</u>
<b>LIABILITIES</b>											
Current liabilities	275,414	398,721	673,449	59,289	13,083,675	4,854,815	320,289	233,403	372,457	32,473,351	77,472,099
Noncurrent liabilities	<u>8,359,342</u>	<u>11,217,259</u>	<u>8,719,694</u>	<u>5,458,462</u>	<u>167,539</u>	<u>3,848</u>	<u>13,490,506</u>	<u>9,959,770</u>	<u>11,188,312</u>	<u>513,652,736</u>	<u>718,547,067</u>
Total liabilities	<u>8,634,756</u>	<u>11,615,980</u>	<u>9,393,143</u>	<u>5,517,751</u>	<u>13,251,214</u>	<u>4,858,663</u>	<u>13,810,795</u>	<u>10,193,173</u>	<u>11,560,769</u>	<u>546,126,087</u>	<u>796,019,166</u>
<b>NET POSITION</b>											
Net investment in capital assets	(693,770)	(3,563,746)	2,533,259	(670,415)	14,038,211	4,928,492	1,714,393	1,979,889	(3,983,765)	11,781,156	16,074,021
Restricted	34,363	82,259	46,819	5,708	7,021	10,103	136,478	140,510	535,280	73,321,011	76,183,757
Unrestricted	<u>1,055,645</u>	<u>2,221,408</u>	<u>10,571,156</u>	<u>4,293,973</u>	<u>(12,973,838)</u>	<u>(4,819,582)</u>	<u>914,265</u>	<u>1,512,048</u>	<u>983,064</u>	<u>69,864,516</u>	<u>88,379,877</u>
Total net position	<u>396,238</u>	<u>(1,260,079)</u>	<u>13,151,234</u>	<u>3,629,266</u>	<u>1,071,394</u>	<u>119,013</u>	<u>2,765,136</u>	<u>3,632,447</u>	<u>(2,465,421)</u>	<u>154,966,683</u>	<u>180,637,655</u>
Total Liabilities and Net Position	<u>\$ 9,030,994</u>	<u>\$ 10,355,901</u>	<u>\$ 22,544,377</u>	<u>\$ 9,147,017</u>	<u>\$ 14,322,608</u>	<u>\$ 4,977,676</u>	<u>\$ 16,575,931</u>	<u>\$ 13,825,620</u>	<u>\$ 9,095,348</u>	<u>\$ 701,092,770</u>	<u>\$ 976,656,821</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									
	Dale Drive	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square
<b>OPERATING REVENUES</b>										
Tenant revenue	\$ 104,089	\$ 1,247,095	\$ 5,407,806	\$ 262,676	\$ 6,213,652	\$ 2,976,401	\$ 2,636,707	\$ 1,670,166	\$ 2,571,739	\$ 2,608,548
Other revenues	380	17,082	143,231	1,582	980,985	124,607	47,461	26,336	17,088	34,745
Total operating revenues	<u>104,469</u>	<u>1,264,177</u>	<u>5,551,037</u>	<u>264,258</u>	<u>7,194,637</u>	<u>3,101,008</u>	<u>2,684,168</u>	<u>1,696,502</u>	<u>2,588,827</u>	<u>2,643,293</u>
<b>OPERATING EXPENSES</b>										
Housing assistance payments	-	-	-	-	-	-	-	-	-	-
Administrative	15,175	217,443	540,026	64,732	684,644	463,086	297,706	235,844	261,355	376,075
Utilities	22,166	66,960	397,832	1,609	462,686	115,020	155,516	86,720	38,011	183,571
Ordinary maintenance and operations	20,591	327,454	1,023,585	135,314	643,229	501,135	376,201	212,972	255,726	380,116
Protective services	-	-	-	-	-	-	-	-	-	-
General expenses	19,643	402,094	3,174,209	69,874	2,611,006	1,731,682	1,327,852	1,014,133	1,790,706	839,613
Depreciation	68,951	177,922	801,689	62,494	1,177,710	536,608	520,898	377,337	1,039,428	640,027
Total operating expenses	<u>146,526</u>	<u>1,191,873</u>	<u>5,937,341</u>	<u>334,023</u>	<u>5,579,275</u>	<u>3,347,531</u>	<u>2,678,173</u>	<u>1,927,006</u>	<u>3,385,226</u>	<u>2,419,402</u>
Operating income (loss)	<u>(42,057)</u>	<u>72,304</u>	<u>(386,304)</u>	<u>(69,765)</u>	<u>1,615,362</u>	<u>(246,523)</u>	<u>5,995</u>	<u>(230,504)</u>	<u>(796,399)</u>	<u>223,891</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>11</u>	<u>(2,241)</u>	<u>(102)</u>	<u>(8,149)</u>	<u>(1,996)</u>	<u>88</u>	<u>33,041</u>	<u>582</u>	<u>(873)</u>
Income (loss) before contributions and transfers	<u>(42,057)</u>	<u>72,315</u>	<u>(388,545)</u>	<u>(69,867)</u>	<u>1,607,213</u>	<u>(248,519)</u>	<u>6,083</u>	<u>(197,463)</u>	<u>(795,817)</u>	<u>223,018</u>
Capital contributions (distributions)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,337</u>	<u>-</u>	<u>86,373</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>(42,057)</u>	<u>72,315</u>	<u>(388,545)</u>	<u>(69,867)</u>	<u>1,607,213</u>	<u>(248,519)</u>	<u>31,420</u>	<u>(197,463)</u>	<u>(709,444)</u>	<u>223,018</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>284,026</u>	<u>(342,257)</u>	<u>(4,914,094)</u>	<u>659,879</u>	<u>8,257,013</u>	<u>683,971</u>	<u>1,490,214</u>	<u>1,098,330</u>	<u>(4,407,253)</u>	<u>1,543,844</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 241,969</u>	<u>\$ (269,942)</u>	<u>\$ (5,302,639)</u>	<u>\$ 590,012</u>	<u>\$ 9,864,226</u>	<u>\$ 435,452</u>	<u>\$ 1,521,634</u>	<u>\$ 900,867</u>	<u>\$ (5,116,697)</u>	<u>\$ 1,766,862</u>

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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									Primary Government	Total
	Chevy Chase	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Greenmont Crossing	Greenmont Westerly	Magruders		
<b>OPERATING REVENUES</b>											
Tenant revenue	\$ 1,245,825	\$ 1,053,589	\$ 2,364,775	\$ 734,308	\$ 1,776,419	\$ 224,461	\$ 1,970,019	\$ 1,709,213	\$ 2,180,451	\$ 26,437,556	\$ 65,395,495
Other revenues	6,977	79,594	18,275	2,101,975	-	-	55,135	36,130	5,728	132,691,406	136,388,717
Total operating revenues	<u>1,252,802</u>	<u>1,133,183</u>	<u>2,383,050</u>	<u>2,836,283</u>	<u>1,776,419</u>	<u>224,461</u>	<u>2,025,154</u>	<u>1,745,343</u>	<u>2,186,179</u>	<u>159,128,962</u>	<u>201,784,212</u>
<b>OPERATING EXPENSES</b>											
Housing assistance payments	-	-	-	-	-	-	-	-	-	89,425,241	89,425,241
Administrative	130,290	109,377	539,713	147,498	273,460	53,061	200,672	197,866	267,315	28,908,465	33,983,803
Utilities	84,857	76,011	6,102	2,600	31,362	2,822	191,393	136,304	104,512	3,143,314	5,309,368
Ordinary maintenance and operations	231,095	129,697	697,987	171,728	313,305	32,676	487,386	499,246	229,254	10,176,818	16,845,515
Protective services	-	-	-	-	-	-	-	-	-	-	-
General expenses	587,765	610,696	915,031	(1,380,307)	86,919	16,892	799,419	752,408	1,389,787	27,597,570	44,356,992
Depreciation	257,181	405,340	408,848	88,284	-	-	316,264	221,428	504,628	9,835,714	17,440,751
Total operating expenses	<u>1,291,188</u>	<u>1,331,121</u>	<u>2,567,681</u>	<u>(970,197)</u>	<u>705,046</u>	<u>105,451</u>	<u>1,995,134</u>	<u>1,807,252</u>	<u>2,495,496</u>	<u>169,087,122</u>	<u>207,361,670</u>
Operating income (loss)	<u>(38,386)</u>	<u>(197,938)</u>	<u>(184,631)</u>	<u>3,806,480</u>	<u>1,071,373</u>	<u>119,010</u>	<u>30,020</u>	<u>(61,909)</u>	<u>(309,317)</u>	<u>(9,958,160)</u>	<u>(5,577,458)</u>
Total non-operating revenues (expenses)	<u>(378)</u>	<u>(1,094)</u>	<u>3,338</u>	<u>4,077</u>	<u>21</u>	<u>3</u>	<u>(241)</u>	<u>791</u>	<u>(2,421)</u>	<u>27,926</u>	<u>52,383</u>
Income (loss) before contributions and transfers	<u>(38,764)</u>	<u>(199,032)</u>	<u>(181,293)</u>	<u>3,810,557</u>	<u>1,071,394</u>	<u>119,013</u>	<u>29,779</u>	<u>(61,118)</u>	<u>(311,738)</u>	<u>(9,930,234)</u>	<u>(5,525,075)</u>
Capital contributions (distributions)	-	-	-	(181,291)	-	-	-	-	-	539,278	469,697
<b>CHANGE IN NET POSITION</b>	<u>(38,764)</u>	<u>(199,032)</u>	<u>(181,293)</u>	<u>3,629,266</u>	<u>1,071,394</u>	<u>119,013</u>	<u>29,779</u>	<u>(61,118)</u>	<u>(311,738)</u>	<u>(9,390,956)</u>	<u>(5,055,378)</u>
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>435,002</u>	<u>(1,061,047)</u>	<u>13,332,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,735,357</u>	<u>3,693,565</u>	<u>(2,153,683)</u>	<u>164,357,639</u>	<u>185,693,033</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 396,238</u>	<u>\$ (1,260,079)</u>	<u>\$ 13,151,234</u>	<u>\$ 3,629,266</u>	<u>\$ 1,071,394</u>	<u>\$ 119,013</u>	<u>\$ 2,765,136</u>	<u>\$ 3,632,447</u>	<u>\$ (2,465,421)</u>	<u>\$ 154,966,683</u>	<u>\$ 180,637,655</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units									
	Dale Drive	The Oaks	Alexander House	Sligo	Metropolitan	TPM	Pooks Hill	Montgomery Arms	Wheaton Metro	Paddington Square
<b>Net cash provided by (used in)</b>										
Operating activities	\$ 31,432	\$ 172,460	\$ 454,618	\$ 75,159	\$ 2,176,499	\$ 266,462	\$ 520,190	\$ 280,762	\$ 359,665	\$ 8,647,755
Investing activities	-	157,533	-	-	(819,797)	(749,353)	121,793	(158,459)	475	(143,757)
Capital and related financing activities	<u>64,119</u>	<u>(163,663)</u>	<u>(679,508)</u>	<u>-</u>	<u>(2,523,353)</u>	<u>316,382</u>	<u>(345,531)</u>	<u>(247,355)</u>	<u>(285,437)</u>	<u>(8,431,545)</u>
<b>Net increase/(decrease) in cash</b>	95,551	166,330	(224,890)	75,159	(1,166,651)	(166,509)	296,452	(125,052)	74,703	72,453
<b>Cash and cash equivalents, beginning of year</b>	<u>198,455</u>	<u>162,573</u>	<u>713,317</u>	<u>-</u>	<u>3,401,652</u>	<u>345,454</u>	<u>2,064,554</u>	<u>718,114</u>	<u>426,867</u>	<u>319,674</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 294,006</u>	<u>\$ 328,903</u>	<u>\$ 488,427</u>	<u>\$ 75,159</u>	<u>\$ 2,235,001</u>	<u>\$ 178,945</u>	<u>\$ 2,361,006</u>	<u>\$ 593,062</u>	<u>\$ 501,570</u>	<u>\$ 392,128</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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**NOTE 23 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)**

	Blended Component Units										
	Chevy Chase	Barclay Apartments	Scattered Site One	Scattered Site Two	VPC One	VPC Two	Greenmont Crossing	Greenmont Westerly	Magruders	Primary Government	Total
<b>Net cash provided by (used in)</b>											
Operating activities	\$ 355,105	\$ 241,213	\$ 249,823	\$ 5,564,134	\$ 14,041,265	\$ 4,928,234	\$ 320,425	\$ 145,580	\$ 9,120	\$ 760,443	\$ 39,600,344
Investing activities	33,544	(13,777)	(92,648)	(4,899,320)	(14,205,750)	(4,932,340)	257,177	178,839	140,204	\$ 21,899,985	(3,225,651)
Capital and related financing activities	(189,824)	(241,541)	(175,680)	558,462	167,539	3,848	(191,863)	(119,428)	(152,477)	(27,786,223)	(40,423,078)
<b>Net increase/(decrease) in cash</b>	198,825	(14,105)	(18,505)	1,223,276	3,054	(258)	385,739	204,991	(3,153)	(5,125,795)	(4,048,385)
<b>Cash and cash equivalents, beginning of year</b>	461,982	386,590	3,424,903	-	-	-	1,059	134,063	200	191,396,607	204,156,064
<b>Cash and cash equivalents, end of year</b>	<u>\$ 660,807</u>	<u>\$ 372,485</u>	<u>\$ 3,406,398</u>	<u>\$ 1,223,276</u>	<u>\$ 3,054</u>	<u>\$ (258)</u>	<u>\$ 386,798</u>	<u>\$ 339,054</u>	<u>\$ (2,953)</u>	<u>\$ 186,270,811</u>	<u>\$ 200,107,679</u>

This information is an integral part of the accompanying financial statements.



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**SUPPLEMENTARY INFORMATION**

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF NET POSITION – SUB-FUNDS**  
**June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2014	As Restated 2013
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Unrestricted:								
Cash and cash equivalents	\$ 30,276,178	\$ 34,021,840	\$ 5,148,589	\$ 1,497,781	\$ 1,394,030	\$ -	\$ 72,338,418	\$ 83,470,275
Interfund receivable (payable)	-	8,120,696	15,602,064	-	-	(23,722,760)	-	-
Advances to component units	8,364,252	12,347,078	-	-	-	-	20,711,330	23,253,200
Accounts receivable and other assets	1,864,384	3,332,056	4,517,920	16,204	-	(122,727)	9,607,837	8,012,116
Accrued interest receivable	213,568	1,382,405	-	2,630,249	1,454,338	(798,102)	4,882,458	5,260,038
Mortgage and construction loans receivable, current	15,340,428	1,402,154	-	4,675,007	13,891,891	(25,488,294)	9,821,186	10,061,435
Total unrestricted current assets	<u>56,058,810</u>	<u>60,606,229</u>	<u>25,268,573</u>	<u>8,819,241</u>	<u>16,740,259</u>	<u>(50,131,883)</u>	<u>117,361,229</u>	<u>130,057,064</u>
Restricted cash and cash equivalents and investments:								
Restricted cash and cash equivalents	726,400	24,430,584	710,835	47,553,604	16,079,451	-	89,500,874	90,476,350
Restricted short-term investments	-	-	-	720,063	7,727,927	-	8,447,990	7,850,690
Current bonds payable	-	-	-	17,613,685	15,887,563	-	33,501,248	25,642,917
Customer deposits	-	2,193,668	2,573,471	-	-	-	4,767,139	4,566,522
Total restricted cash and cash equivalents and investments	<u>726,400</u>	<u>26,624,252</u>	<u>3,284,306</u>	<u>65,887,352</u>	<u>39,694,941</u>	<u>-</u>	<u>136,217,251</u>	<u>128,536,479</u>
Total current assets	<u>56,785,210</u>	<u>87,230,481</u>	<u>28,552,879</u>	<u>74,706,593</u>	<u>56,435,200</u>	<u>(50,131,883)</u>	<u>253,578,480</u>	<u>258,593,543</u>
<b>NONCURRENT ASSETS</b>								
Restricted long-term investments	-	-	-	51,554,711	10,152,279	-	61,706,990	54,105,893
Mortgage and construction loans receivable, net of current portion	5,772,273	21,259,555	-	162,859,209	294,750,178	(191,363,799)	293,277,416	325,413,687
Capital assets, net of depreciation	6,659,096	303,262,570	38,147,452	-	-	(8,626,664)	339,442,454	338,752,386
Leased property under capital lease, net of amortization	164,538	11,492,984	-	-	-	-	11,657,522	12,376,315
Other real estate owned	-	-	-	3,197,392	-	-	3,197,392	-
Loans receivable from component units	2,291,820	-	-	-	-	-	2,291,820	2,291,820
Investment in real estate partnerships	1,873,221	-	-	-	-	-	1,873,221	1,873,221
Deferred charges	-	-	-	-	-	-	-	424,649
Total noncurrent assets	<u>16,760,948</u>	<u>336,015,109</u>	<u>38,147,452</u>	<u>217,611,312</u>	<u>304,902,457</u>	<u>(199,990,463)</u>	<u>713,446,815</u>	<u>735,237,971</u>
<b>TOTAL ASSETS</b>	<u>73,546,158</u>	<u>423,245,590</u>	<u>66,700,331</u>	<u>292,317,905</u>	<u>361,337,657</u>	<u>(250,122,346)</u>	<u>967,025,295</u>	<u>993,831,514</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Accumulated decrease in fair value of hedging derivatives	-	-	-	2,089,275	7,542,251	-	9,631,526	11,712,520
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 73,546,158</u>	<u>\$ 423,245,590</u>	<u>\$ 66,700,331</u>	<u>\$ 294,407,180</u>	<u>\$ 368,879,908</u>	<u>\$ (250,122,346)</u>	<u>\$ 976,656,821</u>	<u>\$ 1,005,544,034</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF NET POSITION – SUB-FUNDS**  
**June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2014	As Restated 2013
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Accounts payable and accrued liabilities	\$ 3,724,611	\$ 7,231,483	\$ 2,221,457	\$ 743,571	\$ 218,219	\$ (122,727)	\$ 14,016,614	\$ 14,821,963
Interfund payable	23,613,632	-	-	-	109,128	(23,722,760)	-	-
Accrued interest payable	-	3,218,490	-	-	-	(798,102)	2,420,388	2,201,453
Loans payable to Montgomery County - current	-	7,377,860	-	-	-	-	7,377,860	332,560
Mortgage notes and loans payable - current	15,405,884	20,262,846	-	-	5,698,800	(25,488,294)	15,879,236	17,495,905
Capitalized lease obligations - current	176,935	3,356	-	-	-	-	180,291	174,875
Total current unrestricted liabilities	<u>42,921,062</u>	<u>38,094,035</u>	<u>2,221,457</u>	<u>743,571</u>	<u>6,026,147</u>	<u>(50,131,883)</u>	<u>39,874,389</u>	<u>35,026,756</u>
Current liabilities payable from restricted assets:								
Customer deposits payable	-	1,973,023	2,123,439	-	-	-	4,096,462	4,176,735
Accrued interest payable	-	-	-	4,143,685	5,759,364	-	9,903,049	9,785,678
Bonds payable - current	-	-	-	13,470,000	10,128,199	-	23,598,199	15,906,304
Total current liabilities payable from restricted assets	<u>-</u>	<u>1,973,023</u>	<u>2,123,439</u>	<u>17,613,685</u>	<u>15,887,563</u>	<u>-</u>	<u>37,597,710</u>	<u>29,868,717</u>
Total current liabilities	<u>42,921,062</u>	<u>40,067,058</u>	<u>4,344,896</u>	<u>18,357,256</u>	<u>21,913,710</u>	<u>(50,131,883)</u>	<u>77,472,099</u>	<u>64,895,473</u>
<b>NONCURRENT LIABILITIES</b>								
Bonds payable	-	-	-	247,230,690	308,780,664	-	556,011,354	594,135,670
Mortgage notes and loans payable	104,496	231,510,120	374,182	-	746,000	(191,363,799)	41,370,999	41,870,890
Loans payable to Montgomery County	10,846,021	55,367,230	-	-	-	-	66,213,251	61,568,241
Capitalized lease obligations	-	19,953,420	-	-	-	-	19,953,420	20,133,711
Deferred revenue	9,206,347	2,237,375	-	-	-	-	11,443,722	12,157,253
Escrow and other deposits	9,607,896	-	-	-	4,314,899	-	13,922,795	13,377,243
Derivative investment - hedging	-	-	-	2,089,275	7,542,251	-	9,631,526	11,712,520
Total noncurrent liabilities	<u>29,764,760</u>	<u>309,068,145</u>	<u>374,182</u>	<u>249,319,965</u>	<u>321,383,814</u>	<u>(191,363,799)</u>	<u>718,547,067</u>	<u>754,955,528</u>
Total liabilities	<u>72,685,822</u>	<u>349,135,203</u>	<u>4,719,078</u>	<u>267,677,221</u>	<u>343,297,524</u>	<u>(241,495,682)</u>	<u>796,019,166</u>	<u>819,851,001</u>
<b>NET POSITION</b>								
Net investment in capital assets	6,646,695	(19,719,280)	37,773,270	-	-	(8,626,664)	16,074,021	21,051,981
Restricted for:								
Debt service	-	24,430,584	-	25,232,178	24,188,353	-	73,851,115	53,868,821
Customer deposits and other	-	220,645	1,128,801	-	-	-	1,349,446	7,475,473
Closing cost assistance program	983,196	-	-	-	-	-	983,196	591,138
Unrestricted (deficit)	<u>(6,769,555)</u>	<u>69,178,438</u>	<u>23,079,182</u>	<u>1,497,781</u>	<u>1,394,031</u>	<u>-</u>	<u>88,379,877</u>	<u>102,705,620</u>
<b>TOTAL NET POSITION</b>	<u>860,336</u>	<u>74,110,387</u>	<u>61,981,253</u>	<u>26,729,959</u>	<u>25,582,384</u>	<u>(8,626,664)</u>	<u>180,637,655</u>	<u>185,693,033</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 73,546,158</u>	<u>\$ 423,245,590</u>	<u>\$ 66,700,331</u>	<u>\$ 294,407,180</u>	<u>\$ 368,879,908</u>	<u>\$ (250,122,346)</u>	<u>\$ 976,656,821</u>	<u>\$ 1,005,544,034</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS**  
**Year ended June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2014	As Restated 2013
<b>OPERATING REVENUES</b>								
Dwelling rental	\$ 320,762	\$ 60,261,178	\$ 4,825,326	\$ -	\$ -	\$ (11,771)	\$ 65,395,495	\$ 62,210,614
Investment income	-	-	-	2,365,666	1,346,188	-	3,711,854	7,274,297
Unrealized gains (losses) on investments	-	-	-	745,191	53,060	-	798,251	(8,251,610)
Interest on mortgage and construction loans receivable	-	-	-	9,090,034	15,700,922	(9,811,832)	14,979,124	16,877,656
Management fees and other income	16,411,308	4,880,525	1,743,788	1,161,877	-	(13,015,885)	11,181,613	18,504,567
U.S. Department of Housing and Urban Development grants:								
Housing Assistance Payments (HAP)	-	-	81,090,732	-	-	-	81,090,732	84,760,830
HAP administrative fees	-	-	5,385,511	-	-	-	5,385,511	5,352,487
Other grants	-	-	9,601,698	-	-	-	9,601,698	10,152,883
State and County grants	-	-	9,639,934	-	-	-	9,639,934	10,158,784
Total operating revenues	<u>16,732,070</u>	<u>65,141,703</u>	<u>112,286,989</u>	<u>13,362,768</u>	<u>17,100,170</u>	<u>(22,839,488)</u>	<u>201,784,212</u>	<u>207,040,508</u>
<b>OPERATING EXPENSES</b>								
Housing Assistance Payments	-	-	89,425,241	-	-	-	89,425,241	86,882,476
Administration	12,064,532	8,676,017	15,487,650	1,961,491	2,111,831	(6,317,718)	33,983,803	33,869,057
Maintenance	2,111,720	11,184,368	3,549,427	-	-	-	16,845,515	15,810,786
Depreciation and amortization	1,018,646	11,084,604	5,337,501	-	-	-	17,440,751	19,428,350
Utilities	210,497	3,448,720	1,650,151	-	-	-	5,309,368	5,342,576
Fringe benefits	4,436,357	1,798,155	4,446,261	254,145	210,730	-	11,145,648	10,086,973
Interest expense	-	13,364,668	-	8,345,496	12,782,561	(10,335,608)	24,157,117	29,306,374
Other expenses	2,652,568	10,277,632	2,797,646	36,319	-	(6,709,938)	9,054,227	8,134,409
Bad debt expense	-	-	-	-	-	-	-	1,067,155
Total operating expenses	<u>22,494,320</u>	<u>59,834,164</u>	<u>122,693,877</u>	<u>10,597,451</u>	<u>15,105,122</u>	<u>(23,363,264)</u>	<u>207,361,670</u>	<u>209,928,156</u>
Operating income (loss)	<u>(5,762,250)</u>	<u>5,307,539</u>	<u>(10,406,888)</u>	<u>2,765,317</u>	<u>1,995,048</u>	<u>523,776</u>	<u>(5,577,458)</u>	<u>(2,887,648)</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – SUB-FUNDS**  
**Year ended June 30, 2014**  
**(with comparative totals for June 30, 2013)**  
**(Continued)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2014	As Restated 2013
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Investment income	\$ 978,353	\$ (12,409)	\$ (17,029)	\$ -	\$ -	\$ (528,156)	\$ 420,759	\$ 452,092
Interest on mortgage and construction loans receivable	111,304	77,537	-	-	-	-	188,841	203,121
Interest expense	(192,795)	-	-	-	-	4,380	(188,415)	(108,011)
Real estate transfer of MHLF VII and MHLF VIII	-	(774,123)	-	-	-	-	(774,123)	-
Other grants	-	33,359	-	-	-	-	33,359	42,325
State and County grants	-	371,962	-	-	-	-	371,962	241,004
Total nonoperating income	<u>896,862</u>	<u>(303,674)</u>	<u>(17,029)</u>	<u>-</u>	<u>-</u>	<u>(523,776)</u>	<u>52,383</u>	<u>830,531</u>
Income (loss) before contributions and transfers	<u>(4,865,388)</u>	<u>5,003,865</u>	<u>(10,423,917)</u>	<u>2,765,317</u>	<u>1,995,048</u>	<u>-</u>	<u>(5,525,075)</u>	<u>(2,057,117)</u>
Capital contributions	-	-	469,697	-	-	-	469,697	1,049,107
Operating transfers in (out)	(5,171,594)	(1,110,784)	-	4,720,050	1,562,328	-	-	-
<b>CHANGES IN NET POSITION</b>	(10,036,982)	3,893,081	(9,954,220)	7,485,367	3,557,376	-	(5,055,378)	(1,008,010)
<b>TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>	<u>10,897,318</u>	<u>70,217,306</u>	<u>71,935,473</u>	<u>19,244,592</u>	<u>22,025,008</u>	<u>(8,626,664)</u>	<u>185,693,033</u>	<u>186,701,043</u>
<b>TOTAL NET POSITION, END OF YEAR, AS RESTATED</b>	<u>\$ 860,336</u>	<u>\$ 74,110,387</u>	<u>\$ 61,981,253</u>	<u>\$ 26,729,959</u>	<u>\$ 25,582,384</u>	<u>\$ (8,626,664)</u>	<u>\$ 180,637,655</u>	<u>\$ 185,693,033</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – SUB-FUNDS**  
**Year ended June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Opportunity Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	Combined Totals	
							2014	As Restated 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers	\$ 320,762	\$ 60,280,922	\$ 2,815,605	\$ -	\$ -	\$ (12,412,354)	\$ 51,004,935	\$ 63,327,264
Intergovernmental principal payments received	-	-	105,717,875	-	-	-	105,717,875	110,424,984
Investment income received	-	-	-	2,729,330	1,346,188	(11,771)	4,063,747	7,199,374
Mortgage interest received	-	-	-	9,015,661	17,322,261	-	26,337,922	20,372,404
Mortgage loan principle received	-	-	-	28,144,232	7,008,696	-	35,152,928	35,246,636
Management fees and other income	16,007,669	5,880,631	1,531,955	(3,197,392)	-	(12,601,783)	7,621,080	22,206,422
Transfer of capital assets to other sub-funds	-	(18,625,097)	18,625,097	-	-	-	-	-
Payments to suppliers	(3,472,844)	(22,140,231)	(7,990,822)	(36,319)	-	6,295,836	(27,344,380)	(27,932,303)
Payments to employees	(15,407,952)	6,482,361	(36,528,073)	(7,581,510)	(3,243,113)	6,642,424	(49,635,863)	(50,386,252)
Interest paid	-	(13,163,506)	-	(8,210,651)	(12,871,883)	10,353,381	(23,892,659)	(29,970,035)
Housing assistance payments	-	-	(89,425,241)	-	-	-	(89,425,241)	(86,882,476)
Net cash provided by (used in) operating activities	(2,552,365)	18,715,080	(5,253,604)	20,863,351	9,562,149	(1,734,267)	39,600,344	63,606,018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Advances to component units	3,363,973	(2,707,010)	-	4,720,049	-	(324,706)	5,052,306	(3,839,342)
Issuance of notes receivable	-	(1,593,150)	-	-	-	-	(1,593,150)	(7,068,204)
Repayments of notes receivable	3,993,125	1,134,381	-	-	-	-	5,127,506	18,323,372
Investments purchased	-	-	-	(7,478,678)	-	-	(7,478,678)	(9,094,234)
Investments sold	-	-	-	-	78,532	-	78,532	92,473,494
Investment income received	978,353	(12,409)	(17,029)	-	-	(528,156)	420,759	452,092
Investment in mortgages receivable	(4,978,748)	-	-	-	-	-	(4,978,748)	(15,242,300)
Mortgage interest received	144,985	837	-	-	-	-	145,822	88,386
Net cash provided by (used in) investing activities	3,501,688	(3,177,351)	(17,029)	(2,758,629)	78,532	(852,862)	(3,225,651)	76,093,264
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Proceeds from sale of bonds	-	-	-	-	16,304	-	16,304	159,907,213
Bond repayments	-	-	-	(19,340,000)	(9,875,000)	-	(29,215,000)	(284,585,022)
Intergovernmental revenue	-	405,321	-	-	-	-	405,321	283,329
Net cash provided by (used in) noncapital financing activities	-	405,321	-	(19,340,000)	(9,858,696)	-	(28,793,375)	(124,394,480)

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – SUB-FUNDS**  
**Year ended June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	2014	As Restated 2013
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Payments for property, equipment and capital financing fees	\$ (1,242,392)	\$ (19,017,903)	\$ (1,049,565)	\$ -	\$ -	\$ -	\$ (21,309,860)	\$ (33,718,003)
Loss on disposal of capital assets	-	-	-	-	-	-	-	97,931
Proceeds from new mortgage notes and loans payable	5,516,268	(4,424,523)	(674,398)	-	-	2,582,749	3,000,096	99,783,914
Payments on mortgage notes and loans payable	(3,650,000)	2,454,791	-	-	-	-	(1,195,209)	(82,843,553)
Proceeds from new loans payable to Montgomery County	-	7,768,863	-	-	-	-	7,768,863	4,755,968
Interest paid on mortgages	(192,795)	-	-	-	-	4,380	(188,415)	(108,011)
Proceeds received for FHA risk-sharing losses reserve	-	-	-	-	-	-	-	701,487
Payment of principal on capital lease obligations	(171,761)	(3,114)	-	-	-	-	(174,875)	(169,628)
Capital contributions and transfers	-	-	469,697	-	-	-	469,697	1,049,107
Net cash provided by (used in) capital and related financing activities	<u>259,320</u>	<u>(13,221,886)</u>	<u>(1,254,266)</u>	<u>-</u>	<u>-</u>	<u>2,587,129</u>	<u>(11,629,703)</u>	<u>(10,450,788)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,208,643	2,721,164	(6,524,899)	(1,235,278)	(218,015)	-	(4,048,385)	4,756,083
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>29,793,935</u>	<u>57,924,928</u>	<u>14,957,794</u>	<u>67,900,348</u>	<u>33,579,059</u>	<u>-</u>	<u>204,156,064</u>	<u>199,399,981</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 31,002,578</u>	<u>\$ 60,646,092</u>	<u>\$ 8,432,895</u>	<u>\$ 66,665,070</u>	<u>\$ 33,361,044</u>	<u>\$ -</u>	<u>\$ 200,107,679</u>	<u>\$ 204,156,064</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS, END OF YEAR TO AMOUNTS IN THE STATEMENT OF NET ASSETS</b>								
Current unrestricted cash and cash equivalents	\$ 30,276,178	\$ 34,021,840	\$ 5,148,589	\$ 1,497,781	\$ 1,394,030	\$ -	\$ 72,338,418	\$ 83,470,275
Restricted cash and cash equivalents	726,400	24,430,584	710,835	47,553,604	16,079,451	-	89,500,874	90,476,350
Current bonds payable	-	-	-	17,613,685	15,887,563	-	33,501,248	25,642,917
Customer deposits	-	2,193,668	2,573,471	-	-	-	4,767,139	4,566,522
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 31,002,578</u>	<u>\$ 60,646,092</u>	<u>\$ 8,432,895</u>	<u>\$ 66,665,070</u>	<u>\$ 33,361,044</u>	<u>\$ -</u>	<u>\$ 200,107,679</u>	<u>\$ 204,156,064</u>



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**STATEMENT OF CASH FLOWS – SUB-FUNDS**  
**Year ended June 30, 2014**  
**(with comparative totals for June 30, 2013)**

	General Sub-Fund	Housing Sub-Fund	Public Sub-Fund	Single Family Sub-Fund	Multifamily Sub-Fund	Eliminations	2014	As Restated 2013
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>								
Operating income (loss)	\$ (5,762,250)	\$ 5,307,539	\$ (10,406,888)	\$ 2,765,317	\$ 1,995,048	\$ 523,776	\$ (5,577,458)	\$ (2,887,648)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation and amortization	1,018,645	11,084,604	5,337,501	-	-	-	17,440,750	19,428,350
Unrealized losses (gains) on investments	-	-	-	(745,191)	(53,060)	-	(798,251)	8,251,610
Loss on disposal of capital assets	1,212,741	2,678,692	6,402	-	-	-	3,897,835	97,931
Transfer of capital assets to other sub-funds	-	(18,625,097)	18,625,097	-	-	-	-	-
Effects of changes in operating assets and liabilities:								
Accounts receivable and other assets	(403,639)	1,039,957	(1,909,704)	2,371	-	-	(1,271,015)	1,269,786
Mortgage and construction loans receivable	-	-	-	28,144,232	7,008,696	(2,582,749)	32,570,179	45,990,447
Accrued interest receivable	-	-	-	363,664	74,708	(17,773)	420,599	52,829
Other real estate owned	-	-	-	(3,197,392)	-	-	(3,197,392)	-
Deferred charges	-	-	8,439	-	2,157,791	(414,102)	1,752,128	(2,207,885)
Interfund receivable	2,615,280	16,956,533	(17,187,545)	(5,444,744)	(548,790)	-	(3,609,266)	138,244
Accounts payable and accrued liabilities	(1,522,343)	91,797	593,383	78,870	(371,762)	324,706	(805,349)	(5,332,589)
Deferred revenue	(279,626)	(39,851)	(220,272)	(76,744)	(587,885)	414,102	(790,276)	(1,479,265)
Accrued interest payable	-	201,162	-	(1,027,032)	(89,322)	17,773	(897,419)	(663,661)
Escrow and other deposits	568,827	19,744	(100,017)	-	(23,275)	-	465,279	947,869
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ (2,552,365)</b>	<b>\$ 18,715,080</b>	<b>\$ (5,253,604)</b>	<b>\$ 20,863,351</b>	<b>\$ 9,562,149</b>	<b>\$ (1,734,267)</b>	<b>\$ 39,600,344</b>	<b>\$ 63,606,018</b>

# III. STATISTICAL SECTION

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Statistical Section Narrative**  
**Fiscal year ended June 30, 2014**

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 83-84.

**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 85-87.

**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 88-92.

**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 93-97.

**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 and to assist in making comparisons over time with other housing authorities. See pages 98-102.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Net Position by Component**  
**Last Ten Years Fiscal Years**

<b>Fiscal year</b>	<b>Net investment in</b>			<b>Total net position</b>
	<b>capital assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	
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
2013	21,051,981	61,935,432	102,705,620	185,693,033
2014	16,074,021	76,183,757	88,379,877	180,637,655

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Change in Net Position by Enterprise Fund**  
**Last Ten Years Fiscal Years**

Fiscal year	General Sub-Fund			Opportunity Housing Sub-Fund			Public Sub-Fund		
	Operating and Non-operating revenues	Operating and Non-operating expenses	Change in net position	Operating and Non-operating revenues	Operating and Non-operating expenses	Change in net position	Operating and Non-operating revenues	Operating and Non-operating expenses	Change in net position
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)
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
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
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
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)
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
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
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)
2013	14,693,427	27,663,976	(12,970,549)	80,481,879	56,466,274	24,015,605	118,477,738	121,685,876	(3,208,138)
2014	17,628,932	22,494,320	(4,865,388)	64,838,029	59,834,164	5,003,865	112,286,989	122,710,906	(10,423,917)

Fiscal year	Single Family Sub-Fund			Multifamily Sub-Fund		
	Operating and Non-operating revenues	Operating and Non-operating expenses	Change in net position	Operating and Non-operating revenues	Operating and Non-operating expenses	Change in net position
2005	\$ 13,209,525	\$ 12,635,470	\$ 574,055	\$ 25,473,068	\$ 22,784,625	\$ 2,688,443
2006	8,332,078	13,075,152	(4,743,074)	17,328,986	24,679,371	(7,350,385)
2007	14,593,737	15,147,917	(554,180)	23,204,209	22,056,056	1,148,153
2008	15,712,926	14,991,208	721,718	22,923,420	22,224,570	698,850
2009	13,161,636	14,492,241	(1,330,605)	26,178,221	23,469,545	2,708,676
2010	16,233,034	13,946,235	2,286,799	22,665,023	23,300,478	(635,455)
2011	13,307,006	13,855,788	(548,782)	22,444,823	23,768,901	(1,324,078)
2012	17,881,445	14,206,488	3,674,957	25,288,101	20,370,728	4,917,373
2013	9,731,627	15,907,696	(6,176,069)	16,650,293	19,319,152	(2,668,859)
2014	13,362,768	10,597,451	2,765,317	17,100,170	15,105,122	1,995,048

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Revenues, Expenses and Changes in Net Position**  
**Last Ten Years Fiscal Years**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>OPERATING REVENUES</b>										
Dwelling rental	\$ 65,395,495	\$ 62,210,614	\$ 58,531,965	\$ 57,304,024	\$ 51,602,384	\$ 50,338,236	\$ 47,207,730	\$ 44,708,879	\$ 45,050,127	\$ 48,423,150
Investment income	3,711,854	7,274,297	7,720,354	8,169,267	6,925,130	7,638,163	12,594,626	16,949,098	15,319,779	10,620,043
Unrealized gains (losses) on investments	798,251	(8,251,610)	9,190,260	(2,183,851)	3,848,207	3,110,604	390,768	(834,397)	(9,850,434)	7,766,629
Interest on mortgage and construction loans receivable	14,979,124	16,877,656	16,880,359	18,438,510	17,731,617	19,819,780	17,297,737	13,710,886	12,192,024	11,603,179
Management fees and other income	11,181,613	18,504,567	9,180,604	8,712,644	7,911,157	10,397,564	9,115,619	10,485,337	9,785,159	11,599,202
U.S. Department of Housing and Urban Development grants:										
Housing Assistance Payments (HAP)	81,090,732	84,760,830	77,868,323	78,529,266	75,384,843	69,038,665	68,098,758	65,497,448	64,550,179	65,636,655
HAP administrative fees	5,385,511	5,352,487	5,799,380	6,091,862	5,866,937	5,266,978	5,132,533	4,260,881	4,580,067	4,685,801
Other grants	9,601,698	10,152,883	11,249,981	10,889,692	11,254,618	10,500,329	8,777,422	7,950,894	6,976,369	6,780,137
State and County grants	9,639,934	10,158,784	10,831,271	10,069,139	10,629,223	9,422,158	10,333,157	9,147,060	6,881,222	7,084,539
Total operating revenues	<u>201,784,212</u>	<u>207,040,508</u>	<u>207,252,497</u>	<u>196,020,553</u>	<u>191,154,116</u>	<u>185,532,477</u>	<u>178,948,350</u>	<u>171,876,086</u>	<u>155,484,492</u>	<u>174,199,335</u>
<b>OPERATING EXPENSES</b>										
Housing Assistance Payments	89,425,241	86,882,476	83,980,027	79,201,987	74,850,432	71,116,935	65,088,360	62,250,457	63,239,005	66,539,618
Administration	33,983,811	33,869,057	33,932,375	34,412,838	34,285,500	33,514,421	31,491,319	29,693,342	27,965,154	30,254,371
Maintenance	16,845,515	15,810,786	15,554,691	14,834,381	14,202,508	14,205,755	13,443,354	11,540,628	11,064,356	10,495,885
Depreciation and amortization	17,440,751	19,428,350	16,607,553	16,075,783	15,658,584	14,499,967	12,308,298	11,092,722	10,567,281	10,709,532
Utilities	5,309,368	5,342,576	6,180,231	6,804,381	6,001,107	5,629,351	5,381,832	5,244,849	5,231,525	4,944,260
Fringe benefits	11,145,646	10,086,973	8,372,560	7,845,250	8,038,944	7,673,443	7,176,063	6,293,777	5,620,301	5,102,332
Interest expense	24,157,117	29,306,374	31,544,664	34,009,553	32,711,853	34,520,213	35,012,776	33,017,662	33,003,609	30,781,800
Other expenses	9,054,221	8,134,409	6,363,970	6,546,617	5,662,593	6,932,322	5,269,845	5,519,503	6,443,315	7,071,134
Bad debt expense	-	1,067,155	784,371	361,871	436,581	379,192	634,021	269,722	250,235	181,126
Total operating expenses	<u>207,361,670</u>	<u>209,928,156</u>	<u>203,320,442</u>	<u>200,092,661</u>	<u>191,848,102</u>	<u>188,471,599</u>	<u>175,805,868</u>	<u>164,922,662</u>	<u>163,384,781</u>	<u>166,080,058</u>
Operating income (loss)	<u>(5,577,458)</u>	<u>(2,887,648)</u>	<u>3,932,055</u>	<u>(4,072,108)</u>	<u>(693,986)</u>	<u>(2,939,122)</u>	<u>3,142,482</u>	<u>6,953,424</u>	<u>(7,900,289)</u>	<u>8,119,277</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Investment income	420,759	452,092	577,972	609,386	683,595	1,351,318	2,472,198	2,510,513	2,327,025	1,151,508
Interest on mortgage and construction loans receivable	188,841	203,121	166,394	187,259	141,505	105,433	90,832	102,502	112,598	174,377
Interest expense	(188,415)	(108,011)	(115,534)	(138,314)	(73,480)	(142,965)	(247,225)	(214,060)	(186,428)	(103,156)
Gain (loss) on transfer of component unit entities	(774,123)	-	-	736,869	-	(747,219)	4,801,834	-	-	486,489
Other grants	33,359	42,325	41,229	37,219	38,146	39,698	31,034	40,689	41,099	40,601
State and County grants	371,962	241,004	765,279	131,020	253,857	368,694	3,851	51,286	-	100,000
Unrealized losses on investments	-	-	-	-	-	-	-	-	(1,275)	(12,550)
Total nonoperating income	<u>52,383</u>	<u>830,531</u>	<u>1,435,340</u>	<u>1,563,439</u>	<u>1,043,623</u>	<u>974,959</u>	<u>7,152,524</u>	<u>2,490,930</u>	<u>2,293,019</u>	<u>1,837,269</u>
Income (loss) before contributions and transfers	<u>(5,525,075)</u>	<u>(2,057,117)</u>	<u>5,367,395</u>	<u>(2,508,669)</u>	<u>349,637</u>	<u>(1,964,163)</u>	<u>10,295,006</u>	<u>9,444,354</u>	<u>(5,607,270)</u>	<u>9,956,546</u>
Capital contributions	<u>469,697</u>	<u>1,049,107</u>	<u>1,181,515</u>	<u>3,283,006</u>	<u>3,749,082</u>	<u>1,607,686</u>	<u>1,457,956</u>	<u>3,692,041</u>	<u>3,008,994</u>	<u>1,172,636</u>
<b>CHANGES IN NET POSITION</b>	<u>\$ (5,055,378)</u>	<u>\$ (1,008,010)</u>	<u>\$ 6,548,910</u>	<u>\$ 774,337</u>	<u>\$ 4,098,719</u>	<u>\$ (356,477)</u>	<u>\$ 11,752,962</u>	<u>\$ 13,136,395</u>	<u>\$ (2,598,276)</u>	<u>\$ 11,129,182</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Significant Own-Source Revenue**  
**Last Ten Years Fiscal Years**

<u>Fiscal year</u>	<u>Tenant Revenue Total</u>	<u>% Total Operating Revenue</u>
2005	\$ 48,423,150	27.80%
2006	45,050,127	28.97%
2007	44,708,879	26.01%
2008	42,207,730	26.38%
2009	50,338,236	27.13%
2010	51,602,384	27.00%
2011	57,304,024	29.23%
2012	58,531,965	28.24%
2013	62,210,614	30.05%
2014	<u>65,395,495</u>	<u>32.41%</u>
Average	<u>\$ 52,577,260</u>	28.32%

*Revenue Base: Opportunity Housing Sub-Fund and Public Sub-Fund*  
*Principal Payers Low and Moderate Income Residents*

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Operating Revenues by Sources**  
**Last Ten Years Fiscal Years**

Fiscal year	Dwelling Rental		Investment Income		Unrealized Gains (Losses) on Investments		Interest on mortgage and construction loans receivable	
	Amount	% Total Op	Amount	% Total Op	Amount	% Total Op	Amount	% Total Op
		Revenue		Revenue		Revenue		Revenue
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%
2013	62,210,614	30.05%	7,274,297	3.51%	(8,251,610)	(3.99)%	16,877,656	8.15%
2014	65,395,495	32.41%	3,711,854	1.84%	798,251	0.40%	14,979,124	7.42%

Fiscal year	Management fees and other income		Housing assistance payment subsidies		State and County grants		Total	
	Amount	% Total Op	Amount	% Total Op	Amount	% Total Op	Amount	% Total Op
		Revenue		Revenue		Revenue		Revenue
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%
2013	18,504,567	8.94%	90,113,317	43.52%	20,311,667	9.81%	207,040,508	100.00%
2014	11,181,613	8.21%	86,476,243	40.19%	19,241,632	9.54%	201,784,212	100.00%



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Long-Term Debt**  
**Last Ten Years Fiscal Years**

<u>Fiscal year</u>	<u>Bonds payable</u>	<u>Mortgage notes and loans payable</u>	<u>Loans payable to Montgomery County</u>	<u>Capitalized lease obligations</u>	<u>Other</u>	<u>Total</u>	<u>% Net position to debt</u>	<u>\$ Total debt per capita</u>	<u>\$ Total debt to personal income</u>
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%
2010	767,261,719	40,468,317	56,851,638	20,208,821	4,875,177	889,665,672	21.25%	916	(a)
2011	736,693,760	43,872,243	62,794,974	20,724,651	4,380,786	868,466,414	21.86%	(a) (b)	(a) (b)
2012	732,670,865	36,372,309	62,916,742	20,478,214	4,112,218	856,550,348	22.93%	(a) (b)	(a) (b)
2013	610,041,974	59,366,795	61,900,801	20,308,586	13,377,243	764,995,399	24.27%	(a) (b)	(a) (b)
2014	579,609,553	57,250,235	73,591,111	20,133,711	13,922,795	744,507,405	24.26%	(a) (b)	(a) (b)



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Single Family Bonds – Debt Outstanding, Issued and Retired**  
**Fiscal Year Ended June 30, 2014**

Series	Authorized	Outstanding Beginning of Year	Issued		Retired/Refunded		Outstanding End of Year	Interest Expensed This Year	Current Maturities
			Prior Years	This Year	Prior Years	This Year			
Single Family Sub-Fund Bonds:									
2009 Series C	\$ 11,600,000	\$ 5,805,000	\$ 11,600,000	\$ -	\$ 5,795,000	\$ -	\$ 5,805,000	\$ 242,370	\$ 890,000
2005 Series D	13,400,000	4,070,000	13,400,000	-	9,362,000	1,010,000	3,060,000	177,425	-
2006 Series A	18,705,000	9,890,000	18,705,000	-	8,815,000	-	9,890,000	384,915	1,555,000
2006 Series B	11,295,000	5,380,000	11,295,000	-	5,915,000	555,000	4,825,000	242,297	-
2007 Series A	15,875,000	8,545,000	15,875,000	-	7,330,000	-	8,545,000	331,673	1,390,000
2007 Series B	19,125,000	12,960,000	19,125,000	-	6,165,000	1,845,000	11,115,000	570,922	-
2007 Series C	1,000,000	835,000	1,000,000	-	165,000	-	835,000	30,560	335,000
2007 Series D	20,000,000	12,300,000	20,000,000	-	7,700,000	2,915,000	9,385,000	529,040	250,000
2007 Series E	13,000,000	8,315,000	13,000,000	-	4,685,000	-	8,315,000	11,153	-
2007 Series F	10,000,000	10,000,000	10,000,000	-	-	-	10,000,000	377,413	-
2008 Series A	13,205,000	5,215,000	13,205,000	-	7,990,000	1,570,000	3,645,000	163,435	790,000
2008 Series B	3,900,000	1,760,000	3,900,000	-	2,140,000	285,000	1,475,000	107,632	-
2008 Series C	8,450,000	8,450,000	8,450,000	-	-	-	8,450,000	297,349	-
2008 Series D	17,200,000	17,200,000	17,200,000	-	-	-	17,200,000	22,864	-
2009 Series A	20,000,000	16,545,000	20,000,000	-	3,455,000	920,000	15,625,000	698,567	1,000,000
2013 Series A	38,645,000	38,645,000	38,645,000	-	-	2,820,000	35,825,000	1,137,405	950,000
2013 Series B	14,825,000	14,825,000	14,825,000	-	-	-	14,825,000	331,354	1,585,000
2013 Series C	3,190,000	3,190,000	3,190,000	-	-	1,590,000	1,600,000	8,542	1,600,000
NIBP 2009 Series A	10,000,000	8,860,000	10,000,000	-	1,140,000	1,550,000	7,310,000	280,339	405,000
NIBP 2009 Series B	15,000,000	14,780,000	15,000,000	-	200,000	1,440,000	13,340,000	538,087	610,000
NIBP 2009 Series C-1	9,000,000	8,880,000	9,000,000	-	120,000	470,000	8,410,000	267,800	280,000
NIBP 2010 Series A	6,000,000	5,340,000	6,000,000	-	660,000	530,000	4,810,000	164,704	500,000
NIBP2011 Series A	12,425,000	11,590,000	12,425,000	-	835,000	845,000	10,745,000	395,732	680,000
NIBP2009 Series C-2	16,170,000	15,930,000	16,170,000	-	240,000	250,000	15,680,000	387,330	20,000
NIBP2009 Series C-3	2,450,000	2,420,000	2,450,000	-	30,000	40,000	2,380,000	58,791	-
NIBP2012 Series A	12,545,000	12,545,000	12,545,000	-	-	605,000	11,940,000	392,356	590,000
NIBP2009 Series C-4	9,770,000	9,770,000	9,770,000	-	-	100,000	9,670,000	312,725	40,000
NIBP2009 Series C-5	2,610,000	2,610,000	2,610,000	-	-	-	2,610,000	73,863	-
SUB-TOTAL	349,385,000	276,655,000	349,385,000	-	72,742,000	19,340,000	257,315,000	8,536,644	13,470,000
Add: Unamortized discount	-	4,738,712	-	-	-	1,353,022	3,385,690	-	-
<b>Total Single Family Bonds Payable</b>	<b>\$ 349,385,000</b>	<b>\$ 281,393,712</b>	<b>\$ 349,385,000</b>	<b>\$ -</b>	<b>\$ 72,742,000</b>	<b>\$ 20,693,022</b>	<b>\$ 260,700,690</b>	<b>\$ 8,536,644</b>	<b>\$ 13,470,000</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Multifamily Bonds – Debt Outstanding, Issued and Retired**  
**Fiscal Year Ended June 30, 2014**

	Authorized	Unissued	Outstanding Beginning of Year	Issued Prior Years	Issued This Year	Retired/Refunded Prior Years	Retired/Refunded This Year	Outstanding End of Year	Interest Expensed This Year	Current Maturities
Multi Family Sub-Fund Bonds:										
1998 Issue A	\$ 12,900,000	\$ -	\$ 9,100,000	\$ 12,900,000	\$ -	\$ 3,800,000	\$ 385,000	\$ 8,715,000	\$ 437,453	\$ 405,000
2002 Series A	22,325,000	-	20,105,000	22,325,000	-	2,220,000	525,000	19,580,000	1,099,468	555,000
2008 Series A	13,355,000	-	4,530,000	13,355,000	-	-	-	4,530,000	2,668	-
1992 Series C	4,425,000	-	2,215,000	4,425,000	-	2,210,000	155,000	2,060,000	147,290	135,000
1995 Series A	23,910,000	-	2,445,000	23,910,000	-	21,465,000	165,000	2,280,000	136,735	190,000
1984 Series A - Accretions	585,000	-	141,003	141,002	16,304	-	-	157,307	16,304	18,199
2000 Series B	28,600,000	-	7,170,000	28,600,000	-	9,925,000	85,000	7,085,000	442,803	145,000
2007 Series A	19,055,000	-	17,300,000	19,055,000	-	1,755,000	390,000	16,910,000	767,896	405,000
2007 Series B-1	22,085,000	-	21,020,000	22,085,000	-	1,065,000	540,000	20,480,000	923,290	550,000
2007 Series C-1	5,110,000	-	4,640,000	5,110,000	-	470,000	240,000	4,400,000	171,025	240,000
2007 Series C-2	2,190,000	-	1,995,000	2,190,000	-	195,000	105,000	1,890,000	1,952	110,000
2004 Series A	13,700,000	-	12,400,000	13,700,000	-	1,300,000	270,000	12,130,000	548,253	275,000
2004 Series B	4,085,000	-	3,775,000	4,085,000	-	310,000	50,000	3,725,000	178,042	50,000
2004 Series C	19,460,000	-	16,830,000	19,460,000	-	2,630,000	465,000	16,365,000	562,075	480,000
2004 Series D	14,110,000	-	12,230,000	14,110,000	-	1,880,000	330,000	11,900,000	411,672	345,000
2005 Series B	5,440,000	-	5,120,000	5,440,000	-	320,000	160,000	4,960,000	214,670	170,000
2005 Series C	28,630,000	-	27,250,000	28,630,000	-	1,380,000	700,000	26,550,000	1,196,993	710,000
2009 Series A-2	8,040,000	-	8,040,000	8,040,000	-	-	-	8,040,000	315,168	-
2010 Series A	4,860,000	-	4,720,000	4,860,000	-	140,000	155,000	4,565,000	171,598	160,000
2010 Series A	12,375,000	-	12,130,000	12,375,000	-	245,000	245,000	11,885,000	492,480	250,000
2011 Series A	33,585,000	-	33,220,000	33,585,000	-	365,000	375,000	32,845,000	1,207,313	395,000
2011 Series B	3,020,000	-	2,990,000	3,020,000	-	30,000	30,000	2,960,000	167,337	30,000
2012 Series A	24,935,000	-	24,490,000	24,935,000	-	445,000	890,000	23,600,000	717,591	895,000
2012 Series B	18,190,000	-	17,935,000	18,190,000	-	255,000	850,000	17,085,000	452,266	850,000
2012 Series C	24,230,000	-	23,735,000	24,230,000	-	495,000	1,680,000	22,055,000	635,615	1,690,000
2012 Series D	34,975,000	-	34,975,000	34,975,000	-	-	1,085,000	33,890,000	876,981	1,075,000
	404,175,000	-	330,501,003	403,731,002	16,304	52,900,000	9,875,000	320,642,307	12,294,936	10,128,199
Less: Unamortized premium	-	-	(1,852,744)	-	-	-	(119,300)	(1,733,444)	-	-
<b>Total Multi Family Bonds Payable</b>	<b>\$ 404,175,000</b>	<b>\$ -</b>	<b>\$ 328,648,259</b>	<b>\$ 403,731,002</b>	<b>\$ 16,304</b>	<b>\$ 52,900,000</b>	<b>\$ 9,755,700</b>	<b>\$ 318,908,863</b>	<b>\$ 12,294,936</b>	<b>\$ 10,128,199</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Multifamily Bonds – Nonobligation Debt**  
**Fiscal Year Ended June 30, 2014**

<u>Bond Series</u>	<u>Current Property Name</u>	<u>Owner</u>	<u>Final Maturity</u>	<u>Original Bonds Issued</u>	<u>Amount Outstanding</u>
<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	5,167,950
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,603,370
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	1,962,758
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,391,740
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	6,185,833
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	2,484,850
<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>					
1998 Issue I	Byron Housing	Private	9/1/2023	2,319,000	1,364,000
2012 Issue A	Victory Court	Private	10/1/2024	8,400,000	6,479,145
<b>TOTAL</b>				<u>\$ 178,017,000</u>	<u>\$ 168,919,646</u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Number of Units by Program**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Public Housing Rental</b>	<b>Public Housing Homeownership</b>	<b>Housing Choice Voucher</b>	<b>Opportunity Housing</b>	<b>Transitional Housing</b>	<b>Specialized Program</b>	<b>Component Units</b>	<b>Total</b>
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	1,553	9	6,457	3,496	165	566	1,760	14,006
2013	1,546	7	6,429	3,638	165	557	1,893	14,235
2014	1,094	7	7,352	3,992	165	538	1,892	15,040

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**

**Public Housing**

<b>Name of development</b>	<b>Address</b>	<b>Number of units</b>
<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
Towne Center Place	3502 Morningwood Drive, Olney MD 20832	49
Washington Square	8343 Fairhaven Drive, Gaithersburg MD 20877	50
Ken Gar	Various address spread throughout Montgomery County	19
Parkway Woods	Various address spread throughout Montgomery County	24
	<i>Total Family Communities</i>	322
Tobytown	90 Monroe Street, Rockville MD 20832	7
<b>Scattered Units</b>		
Scattered Site Central	Various addresses throughout Montgomery County	82
Scattered Site East	Various addresses throughout Montgomery County	22
Scattered Site Gaithersburg	Various addresses throughout Montgomery County	51
Scattered Site North	Various addresses throughout Montgomery County	25
Scattered Site West	Various addresses throughout Montgomery County	37
	<i>Total Scattered Sites</i>	217
	<i>Total Public Housing units</i>	1,101

**Housing Choice Voucher/Transitional Housing**

<b>Name of development</b>	<b>Address</b>	<b>Number of units</b>
Housing Choice Voucher	Various	7,352
Transitional Housing Program	Various	165
Specialized Program	Various	538
	<i>Total Housing Choice Voucher/Transitional Housing</i>	8,055

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**

**Opportunity Housing**

Name of development	Address	Number of units
<b>Elderly Communities</b>		
The Oaks at Four Corners	321 University Boulevard West, Silver Spring MD 20901	120
	<i>Total Elderly Communities</i>	120
<b>Family Communities</b>		
717 Sligo Creek Parkway	717 Sligo Creek Parkway, Tacoma Park MD 20912	12
7411 Aspen Court	7411 Aspen Court, Tacoma Park MD 20912	11
7423 Aspen Court	7423 Aspen Court, Tacoma Park MD 20912	16
Alexander House	8560 Second Avenue, Silver Spring MD 20910	311
Ambassador One Assoc LP	2715 University Boulevard, Silver Spring MD 20902	162
Brooke Park Apartments	6301-6307 MacArthur Blvd, Bethesda, MD 20816	18
Chelsea Towers	7401 Westlake Terrace, Bethesda MD 20817	21
Chevy Chase Lake	3719 Chevy Chase Lake, Chevy Chase MD 20815	68
Dale Drive	527 Dale Drive, Silver Spring MD 20910	10
Diamond Square	80 Bureau Drive, Gaithersburg MD 20878	124
Fairfax Court Apts	1 Fairfax Court, Chevy Chase MD 20815	18
Glenmont Crossing(Dev. Corp.)	2301 Shorefield Road, Silver Spring, MD 20902	97
Glenmont Westerly (Dev. Corp.)	12207 Georgia Avenue, Silver Spring, MD 20902	102
Greenhills	10572 Tralee Terrace, Damascus MD 20872	78
Jubilee Falling Creek	2408 Falling Creek Road, Silver Spring MD 20904	3
Jubilee Housing	2305 Hermitage Avenue, Silver Spring MD 20902	3
Jubilee Woodedge	2715 Woodedge Road, Silver Spring MD 20906	3
Magruder's Discovery	10508 Westlake Drive, Bethesda MD 20817	134
MetroPointe	11175 Georgia Avenue, Silver Spring MD 20902	120
Montgomery Arms	8627 Fenton Street, Silver Spring MD 20910	129
Paddington Square	8800 Lanier Drive, Silver Spring MD 20910	165
Pomander Court	1620 University Boulevard West, Silver Spring MD 20802	24
Pooks Hill High-rise	3 Pooks Hill Road, Bethesda MD 20814	189
Pooks Hill Mid-rise	3 Pooks Hill Road, Bethesda MD 20814	50
Strathmore Court @ White Flint	5440 Marinelli Drive, North Bethesda MD 20852	151
The Barclay	4716 Bradley Boulevard, Chevy Chase MD 20815	76
The Glen	2399 Jones Lane, Wheaton MD 20902	90
The Metropolitan	7600 Old Georgetown Road, Bethesda MD 20810	216
Timberlawn	5707 Luxemburg Street, Rockville MD 20852	107
Westwood Towers	5401 Westbard Avenue, Bethesda MD 20816	212
	<i>Total Family Communities</i>	2720
<b>Scattered Units</b>		
CDBG Units	Various addresses throughout Montgomery County	3
Holiday Park	Various addresses throughout Montgomery County	20
McHome	Various addresses throughout Montgomery County	38
McKendree	Various addresses throughout Montgomery County	13
MHLP I	Various addresses throughout Montgomery County	16
MPDU 2004	Various addresses throughout Montgomery County	38
MPDU 2007	Various addresses throughout Montgomery County	2
MPDU I	Various addresses throughout Montgomery County	64
MPDU III	Various addresses throughout Montgomery County	59
MPDU III	Various addresses throughout Montgomery County	26
NCI Units	Various addresses throughout Montgomery County	14
NSP Units	Various addresses throughout Montgomery County	7
Paint Branch	Various addresses throughout Montgomery County	14
Scattered Site One Dev Corp	Various addresses throughout Montgomery County	190
VPC One Development Corporation	Various addresses throughout Montgomery County	334
VPC Two Development Corporation	Various addresses throughout Montgomery County	118
State Rental Combined	Various addresses throughout Montgomery County	196
	<i>Total Scattered Sites</i>	1,152
	<i>Total Opportunity Housing units</i>	<u>3,992</u>



**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Property Characteristics and Dwelling Unit Composition**

<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	<u>112</u>
<i>Total Elderly Communities</i>		<u>254</u>
<b>Family Communities</b>		
Manchester Manor Apartments, LP	8401 Manchester Road, Silver Spring , MD 20901	53
MetroPoints, LP	1175 Georgia Avenue, Silver Spring, MC 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
Forst Oak Towers LP	101 Odenhal Road, Gaithersburg, MD 20877	175
Tanglewood/Sligo Hills	8902 Manchester Road, Silver Sliver Spring, MD 20901	<u>132</u>
<i>Total Family Communities</i>		<u>1,363</u>
<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	<u>75</u>
<i>Total units - Scattered units</i>		<u>275</u>
<i>Total units - Component units</i>		<u><u>1,892</u></u>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Regular Staff Headcount by Department**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Executive</u>	<u>Finance</u>	<u>Housing Management</u>	<u>Housing Resources</u>	<u>Mortgage Finance</u>	<u>Real Estate</u>	<u>Rental Assistance *</u>	<u>Resident Services</u>	<u>Total</u>
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
2013	41.00	46.00	138.10	48.00	14.50	6.00	-	89.70	383.30
2014	53.00	52.00	94.60	54.00	15.50	9.00	-	87.70	365.80

*Note: Staff headcount is expressed in terms of full-time equivalent workers*

*\* Rental assistance division was dissolved in FY 2008-2009 with staff reallocated to Executive and Housing Resource divisions*

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Demographic and Economic Statistics**  
**Last Ten Years Ended December 31**

<b>Year</b>	<b>Population (1)</b>	<b>(\$ thousands) (2)</b>	<b>Income (3)</b>	<b>Force (4)</b>	<b>Employment (5)</b>	<b>Rate (6)</b>	<b>(Fiscal Year)(7)</b>
2005	921,531	57,950,289	62,885	508,251	492,431	3.1	139,337
2006	926,492	62,251,585	67,191	518,142	503,476	2.8	139,387
2007	931,694	64,472,203	69,199	512,934	499,536	2.6	137,798
2008	942,748	67,379,333	71,471	519,330	502,802	3.2	137,745
2009	959,013	65,965,060	68,784	522,704	493,400	5.6	137,763
2010	976,006	67,991,412	69,663	525,908	495,187	5.8	140,500
2011	991,645	71,716,065	72,320	530,699	502,229	5.4	143,309
2012	1,004,709	73,551,167	73,206	535,371	507,381	5.2	146,497
2013	1,016,677	74,840,000	73,612	535,271	508,190	5.1	149,018
2014	1,018,355	78,420,000	77,007	529,482	506,937	4.3	151,289

NOTES:

- (1) Sources: Data for 2005-2012 from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Data for 2010 from Montgomery Planning Department (MNCPPC) and for 2013 and 2014 are estimated by the Montgomery County Department of Finance from Round 8.2 Cooperative Estimates and pertain to population in households. Estimates for 2005-2012 published by BEA in November 2013 and reflect the County's population estimates available as of 2012, population estimate for 2013 from the American Community Survey, U.S. Census, and average annual growth rate of 0.2 percent from 2013 to 2015 from Round 8.2.
- (2) Source: Bureau of Economic Analysis (BEA), U.S. Department of Commerce. Personal income includes money income from wages and salaries; transfer payments such as social security and public assistance; income from rent, interest and dividends. Data for 2009-2012 were revised by BEA. Data for 2013 through 2014 are estimates derived by the Montgomery County Department of Finance.
- (3) Per capita income is derived by dividing personal income by population.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Permits Issued to Construct New Residential Units in Montgomery County, MD**  
**Last Ten Years Ended December 31**

<u>Fiscal Year</u>	<u>Dwelling Units</u>	<u>Construction Cost</u>
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
2012	3,981	503,817,038
2013	3,514	523,949,473

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Principal Employers**  
**Current and Nine Years Ago**

Employer	Fiscal Year 2014			Fiscal Year 2005		
	# of Employees (1)	Rank	Percentage of Total County Employees (2)	# of Employees (1)	Rank	Percentage of Total County Employees (2)
U.S. Department of Health and Human Services	28,500	1	6.31%	38,800	1	8.58%
Montgomery County Public Schools	25,429	2	5.63%	20,987	2	4.64%
U.S. Department of Defense	12,000	3	2.66%	13,800	3	3.05%
Montgomery County Government	10,815	4	2.39%	8,272	4	1.83%
U.S. Department of Commerce	5,500	5	1.22%	6,200	5	1.37%
Adventist Healthcare	4,900	6	1.08%	6,000	6	1.33%
Marriott International, Inc. (Headquarters)	4,700	7	1.04%	*		0.00%
Lockheed Martin	4,000	8	0.89%	3,900	10	0.86%
Montgomery College	3,632	9	0.80%	*		0.00%
Holy Cross Hospital of Silver Spring	3,400	10	0.75%	*		0.00%
Giant Food Corporation	*		-	4,900	7	1.08%
Verizon	*		-	4,700	8	1.04%
Chevy Chase Bank	*		-	4,700	8	1.04%
<b>Total</b>	<b>102,876</b>		<b>22.77%</b>	<b>112,259</b>		<b>24.82%</b>

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

Source: Montgomery County Department of Economic Development

(1) The employee numbers listed were prepared jointly by Montgomery County's Department of Economic Development (DED) and the Maryland Department of Business & Economic Development. The figures are based on DED's analysis of the MD.

Department of Labor, Licensing & Regulation's Quarterly Census of Employment & Wages, 4th quarter 2013 data of public and private employers in Montgomery County.

(2) Employee counts for Federal & Military facilities exclude contractors to the extent possible; embedded contractors may be included.

(3) Total payroll employment in FY14 was 451,809.

Source: Montgomery County Department of Economic Development

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Public Housing Statistics – All Properties**  
**As of June 30, 2014**

Income Source	# Mbrs
Business	33
Child Support	132
Federal Wage	3
General Assistance	292
Indian	0
Medical Reimburse	0
Military	0
Other Non-Wage Income	109
Other Wages	461
Pension	103
PHA Wage	0
Social Security	436
SSI	431
TANF	24
Unemployment	16

Average Length of Stay for <u>Current</u> Tenants (in Years)	<b>7</b>
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Public Housing Statistics  
All Properties  
As of 06/30/2014

Gender	Female	Male	Total
Count of Head of Household	730	238	968
% of Head of Households	75.41%	24.59%	
Count of All Family Members	1,366	797	2,163
% of All Family Members	63.15%	36.85%	

Seniors	Under 62	62 +
Count of HOH	387	581
% of HOH	26.33%	39.52%
Count All Members	1,433	730
% All Members	66.25%	33.75%

Disabled	
Count of Head of Household	168
Count of All Family Members	222

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	112	329	183	93	57	43	43	30	18	16	35	9	968
Average Income in Range	\$ 1,817	\$ 8,259	\$ 12,513	\$ 17,452	\$ 22,402	\$ 27,093	\$ 32,073	\$ 37,425	\$ 42,753	\$ 47,731	\$ 59,367	\$ 85,696	\$ 18,746
Cumulative % of Households	11.57%	45.56%	64.46%	74.07%	79.96%	84.40%	88.84%	91.94%	93.80%	95.45%	99.07%	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	1	34	115	110	127	93	272	186	30	968
Count of All Family Members	116	384	163	99	195	153	151	172	139	340	221	30	2,163

Race	American Indian	Asian	Black	Pacific Islander	White	Not Reported	Total
Count of Head of Household	3	201	481	0	283	0	968
% of Head of Household	31.00%	20.76%	49.69%	0.00%	29.24%	0.00%	100%
Count of All Family Members	8	344	1256	0	535	20	2,163
% of All Family Members	37.00%	15.90%	58.07%	0.00%	24.73%	92.00%	100%

Ethnicity	Hispanic	Non-Hispanic	Not Reported	Totals
HOH	130	838	0	968
% HOH	13.43%	86.57%	0.00%	100%
Fam Mbrs	321	1812	30	2,163
% FM	14.84%	83.77%	1.38%	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	42	40	40	0	0	0	0	0	0	0	1.0 Person
1 Bedroom	477	465	353	111	1	0	0	0	0	0	1.2 People
2 Bedrooms	192	168	33	92	34	9	0	0	0	0	2.1 People
3 Bedrooms	288	240	19	22	59	75	48	14	3	0	3.7 People
4 Bedrooms	81	54	1	4	2	6	12	13	10	6	5.5 People
5 Bedrooms	1	1	0	0	0	0	1	0	0	0	5.0 People
<b>Total # of PH Units</b>	<b>1081</b>	<b>968</b>	<b>446</b>	<b>229</b>	<b>96</b>	<b>90</b>	<b>61</b>	<b>27</b>	<b>13</b>	<b>6</b>	<b>2.2 People</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
**(A Component Unit of Montgomery County, Maryland)**  
**Housing Choice Voucher Statistics – All Properties**  
**As of June 30, 2014**

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	1,250	5,385	6,635
% of Head of Households	18.84%	81.16%	
Count of All Family Members	6,208	10,561	16,769
% of All Family Members	37.02%	62.98%	

Disabled	
Count of Head of Household	2063
Count of All Family Members	2655

Housing Choice Voucher  
 Statistics  
 As of 06/30/2014  
 Includes Homeownership & Portables

Seniors	Under 62	62 +
Count of HOH	5,177	1,458
% of HOH	78.03%	21.97%
Count All Members	15,043	1,726
% All Members	89.71%	10.29%

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	902	1,763	1,118	768	541	396	387	260	500	6,635
Average Income in Range	\$ 1,562	\$ 8,269	\$ 12,447	\$ 17,375	\$ 22,373	\$ 27,383	\$ 32,476	\$ 37,329	\$ 50,365	\$ 17,129
Cumulative % of Families	13.59%	40.17%	57.02%	68.59%	76.74%	82.71%	88.55%	92.46%	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	10	485	1,525	1,535	1,622	643	450	360	5	6,635
Count of All Family Members	1,668	2,835	2,284	1,364	1,481	1,819	1,755	1,837	753	549	419	5	16,769

Race	White	Black	American Indian	Asian	Pacific Islander	Multiple	Unknown	Ethnicity	Hispanic	Non-Hispanic	Not Reported
Count of Head of Household	1,739	4,522	42	297	17	18	0		807	5,828	0
% of Head of Household	30.43%	79.14%	0.74%	5.20%	0.30%	0.32%	0.00%		14.12%	102.00%	0.00%
Count of All Family Members	3,143	11,364	92	539	16	56	142		1,763	13,314	275
% of All Family Members	21.82%	78.91%	0.64%	3.74%	0.11%	0.39%	0.99%		12.24%	92.45%	1.91%

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	166	113	21	17	7	4	2	0	2	1.7 Person
1 Bedroom	0	1,775	1,638	132	4	0	1	0	0	0	1.1 People
2 Bedrooms	0	2,196	495	1,050	505	119	24	3	0	0	2.2 People
3 Bedrooms	0	1,647	54	193	476	561	261	87	12	3	3.7 People
4 Bedrooms	0	360	5	10	39	62	92	92	37	23	5.1 People
5 Bedrooms	0	62	0	1	2	4	8	11	8	28	6.6 People
6 Bedrooms	0	9	0	0	0	0	0	1	1	7	7.7 People
<b>Total # of HCV Units</b>	<b>0</b>	<b>6215</b>	<b>2305</b>	<b>1407</b>	<b>1043</b>	<b>753</b>	<b>390</b>	<b>196</b>	<b>58</b>	<b>63</b>	<b>2.5 People</b>